

FBIS

DAILY REPORT

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Wang Renzhi Promotion Noted

OW040847 Beijing XINHUA in English 0845 GMT 4 Feb 87

[Text] Beijing, February 4 (XINHUA) -- The Chinese Communist Party Central Committee has appointed committee member Wang Renzhi head of the committee's Propaganda Department.

It was disclosed here today by a Foreign Ministry spokesman in response to a question at the weekly news briefing.

Wang was deputy editor-in-chief of the journal "RED FLAG."

Former head of the Propaganda Department Zhu Houze is now a deputy director of the Rural Development Research Center under the State Council, the spokesman said.

DISARMAMENT CONFERENCE HEARS WU XUEQIAN MESSAGE

OW032029 Beijing XINHUA in English 1830 GMT 3 Feb 87

[Text] Geneva, February 3 (XINHUA) -- China today pledged to work with other states attending the Geneva disarmament conference for progress in the negotiations and [to] contribute to the early realization of genuine disarmament.

This was stated by the head of the Chinese delegation, Ambassador Fan Quoxiang, who read out of a congratulatory message from Chinese Foreign Minister Wu Xueqian at the opening ceremony of the spring session of the Geneva disarmament conference today. Fan will chair the February meetings.

The message described the continuous expansion of the forces for peace as "an irresistible historical trend." However, it said, the turbulent world situation shows that the danger of war is not yet gone, regional conflicts remains unsettled and the arms race continues unabated, posing a grave threat to world peace and security.

As the world's people strongly demand, it said, the countries which bear a "special responsibility" for putting an end to the arms race should conduct serious negotiations towards an early agreement and fulfill their obligations of "taking the lead" in reducing their armaments.

The institution of the conference on disarmament has changed the situation in which only a few countries monopolized disarmament negotiations, the message said. It has provided the vast number of small and medium-sized countries with an important forum for participation in the settlement of [the] disarmament question.

Over the past few years, the message said, the conference has done a great deal of useful work in pushing forward the international disarmament process but made little progress on most of the major issues.

The main topics to be discussed at the present session include prevention of an outer space arms race, an end to [the] arms race, prohibition of chemical weapons and nuclear tests, nuclear disarmament and prevention of nuclear war.

FOREIGN MINISTRY HOLDS WEEKLY PRESS BRIEFING

Shultz Visit Scheduled

OWO40851 Beijing XINHUA in English 0842 GMT 4 Feb 87

[Text] Beijing, February 4 (XINHUA) -- U.S. Secretary of State George Shultz will pay an official visit to China from March 1 to 6 at the invitation of Chinese Foreign Minister Wu Xueqian.

This was announced by a Foreign Ministry spokesman at a weekly news briefing here this afternoon.

Shultz last visited China in February 1983.

Hungarian Delegation To Visit

OWO40903 Beijing XINHUA in English 0853 GMT 4 Feb 87

[Text] Beijing, February 4 (XINHUA) -- A delegation from the Hungarian Patriotic People's Front led by Imre Pozsgay, general secretary of its National Committee, is scheduled to visit China from February 6 to 14 at the invitation of the National Committee of the Chinese People's Political Consultative Conference.

It is the first time this united front organization under the Hungarian Socialist Workers' Party sends a delegation to visit China. The delegation will visit Shanghai and Xiamen besides Beijing during the visit.

Gabon's Bongo To Visit

OWO40905 Beijing XINHUA in English 0858 GMT 4 Feb 87

[Text] Beijing, February 4 (XINHUA) -- Gabonese President El Hadj Omar Bongo will pay a state visit to China from February 16 to 21 at the invitation of Chinese President Li Xiannian.

This was announced by a Foreign Ministry spokesman at the weekly news briefing here this afternoon.

Philippine Election Hailed

OWO41037 Beijing XINHUA in English 1031 GMT 4 Feb 87

[Text] Beijing, February 4 (XINHUA) -- The adoption of the new Constitution of the Philippines through plebiscite shows that the Philippine Government led by President Corazon Aquino has won trust and support from the people and the Chinese people were delighted about this, a Chinese Foreign Ministry spokesman said here today.

In response to a question at the weekly news briefing, the spokesman said that the Chinese Government sincerely hopes the situation in the Philippines will become more stable and its economy be rehabilitated quickly and that the traditional friendship between the Chinese and Philippine people will grow steadily.

Later, the Polish Government announced another three amnesties in 1984, 1985 and 1986. By last September, all Polish political prisoners had been released.

The U.S. Government expressed its appreciation of the amnesties.

In November 1986, U.S. Assistant Secretary of State Rozanne Ridgway and Polish Vice Foreign Minister Jan Kinast met in Geneva, the first open attempt to resume dialogue, something both sides wanted.

The United States has paid a political price for the halt in economic relations; Poland has had to rely more heavily on the Soviet Union and other Eastern bloc countries in the United States' absence.

Poland has said the sanctions resulted in losses totalling 15 billion U.S. dollars, greatly hindering Poland's ability to pay back its foreign debts.

Without normalized relations, it is impossible for Poland to pay back the 2.7 billion dollars it owes the United States.

Due to sanctions, the United States itself lost nine billion U.S. dollars worth of purchase contracts from Poland.

Whitehead's visit is a clear indication of the importance both sides place on improving Polish-U.S. relations.

However, differences remain and the economic sanctions are still in place. Before leaving for Czechoslovakia, Whitehead refused to say whether his visit will lead to a lifting of the economic sanctions.

DELEGATION ATTENDS UN ANTINARCOTIC MEETING

OW031043 Beijing XINHUA in English 0852 GMT 3 Feb 87

[Text] Vienna, February 2 (XINHUA) -- The UN Commission on Narcotic Drugs opened a conference today in Vienna to work out an international convention on narcotics abuse.

The nine-day conference will review new developments in the abuse and illicit production of drugs, and study more effective ways to reduce demand for drugs and banning their illicit traffick.

A delegation from China headed by Li Chaojin is attending the conference.

The chairman of the conference, Colombia's Enrique Parejo Gonzalez, called in an opening address for strong measures to fight drug crimes, which he said both harms human health and foments social turmoil. He said the international anti-drug conference scheduled to be held here in June will be an important event.

According to data recently released by the Commission on Narcotics Drugs, drug abuse has increased steadily over the past 20 years. A total of 14 tonnes of heroin was seized worldwide in 1985, up 31 percent over the previous year, while marijuana production in the same year increased 17 percent to 360.5 tonnes.

Some progress was made on the question of banning chemical weapons at the summer session last year, but discussions on other essential questions were all at a standstill.

The current spring session will work out a program of comprehensive disarmament for submission to the 41st UN General Assembly session as requested by the UN General Assembly in 1985.

A total of 40 countries are attending the current session, which will last 12 weeks up to the end of April.

XINHUA ANALYZES STATE OF POLISH-U.S. RELATIONS

OW031130 Beijing XINHUA in English 1056 GMT 3 Feb 87

["News Analysis: Whitehead's Poland Visit, a Turning Point in Polish-U.S. Relations -- (by New Youren): -- XINHUA headline]

[Text] Warsaw, February 2 (XINHUA) -- U.S. Deputy Secretary John Whitehead's four-day working visit to Poland in late January was a major event in the course toward improving Polish-U.S. relations.

During his stay in Warsaw, Whitehead met with Polish leader Wojciech Jaruzelski and many senior Polish officials. This was the highest level of contact between the two countries since December 1981 when martial law was imposed in Poland.

According to [the] official Polish news agency PAP, the two countries will soon start negotiations on scientific cooperation, exchanges of visits by legislators and measures to restart the Polish-U.S. Trade Committee.

These moves show progress has been made and both sides are wanting to improve bilateral relations.

Polish-U.S. relations deteriorated dramatically in 1981 when the Polish Government imposed martial law following the strike of the trade union Solidarity.

In response, the United States imposed economic sanctions on Poland and many other Western countries followed suit, leading to the lowest point in Polish-U.S. diplomatic relations since they were established in 1919.

The sanctions only aggravated Poland's economic difficulties.

After the break in relations, the Polish Government conditioned the resumption of bilateral relations on the United States' respect for Poland's sovereignty and an end to U.S. interference in Polish affairs.

Meanwhile, the U.S. Government said it would lift the sanctions only when the Polish Government lifted martial law and released its political prisoners.

Then in July 1983, the Polish Government lifted martial law and announced its first amnesty for political prisoners.

In the United States alone, the report said, 1985 saw a 124-percent increase in the use of cocaine, and some clandestine plants in that country are producing cheaper but more dangerous synthetic drugs such as "crack." Intravenous injection of narcotics is one way that the disease Acquired Immune Deficiency Syndrome (AIDS) is spread, the report noted.

JIEFANGJUN BAO VIEWS PROSPECTS FOR WORLD PEACE

HK280320 Beijing JIEFANGJUN BAO in Chinese 2 Jan 87 p 1, 4

[Article by Peng Di (1756 6611): "Prospects for World Peace as Viewed From the Present International Strategic Posture"]

[Text] From a Bipolar to a Multipolar World [subhead]

Since the end of World War II, the world structure has undergone many great changes, from the formation to the disintegration of the East and West camps, from the alternate growth and decline of U.S.-Soviet contention for hegemony to a balance of power and polar antagonism, and from the colonial oppression of weak and small countries to their liberation of the bondage of colonialism. Nowadays, the situation is characterized as a bipolar structure in which the United States and the Soviet Union are regarded as the main centers of strength and is moving toward a multipolar structure.

From the 1970's to the 1980's, the strategic position of the two superpowers -- the United States and the Soviet Union -- in the world has deteriorated. Among the economically developed Western countries, the United States, Japan, and Western Europe are three adversaries confronting one another. They always have to hold tripartite or bilateral talks to coordinate their actions, mitigate their conflicts, and keep their relations in the economic, trade, military, and diplomatic spheres normal.

The East European countries are also trying to free themselves from a situation in which they have to follow the Soviet Union in everything.

With regard to the development of the Third World countries, the road has been tortuous and uneven. Relations between some of them are strained and some have even restored to arms, but generally speaking, their unity and strength are growing. They have become an independent force not to be ignored and their influence in the world situation grows with each passing day. Over the past 20 years, the development of Asian countries has been particularly amazing and their strategic position in the Asian and Pacific region is steadily on the rise. This has been a challenge to the traditional world structure in which Europe and the United States are regarded as the centers.

During the course of these changes, some countries, big and small, have readjusted their diplomatic policies, and others have launched reforms in various fields at home. They are developing in various ways and in line with their own conditions. A multipolar international community can bring about more opportunities and choices for world peace and development.

However, the changes from a bipolar to the multipolar system is a long process. The specific influences of the United States and the Soviet Union, which are described as constituting the bipolar system, will not disappear for the time being, particularly in the area of military strength. Since their economic and political standards have become comparatively weak, the United States and the Soviet Union are probably trying harder to maintain their military superiority and protect their position as superpowers.

According to a research report made public recently by the U.S. Arms Control and Disarmament Agency, in 1986 world military expenditure totaled \$900 billion, with the United States and the Soviet Union making up 60 percent of the total. In nuclear armaments, the 2 nations possess 97 percent of the nuclear warheads and nuclear bombs.

Thus it appears that the polarization of military strength will continue to be intensified. Meanwhile, tension between the United States and the Soviet Union has not improved despite the weakening of the bipolar structure.

Viewed from the development of recent events, in 1986 alone, dialogues replaced heated interchanges of abuses on many occasions following the first U.S.-Soviet summit in Geneva (in November 1985). But progress in the dialogues was achieved slowly and the path was rugged and rough. On major and substantial issues, there is a great disparity between the views of both sides and the rift can hardly be closed in a brief space of time.

Negotiations, But No Action [subhead]

The major and substantial issues between the United States and the Soviet Union are roughly divided into two groups: One can be called "negotiations, but no action," and the other "action, but no negotiations."

In saying negotiations but no action, we refer to disarmament. Arms control has all along been a major subject for discussion between the United States and the Soviet Union at the low, middle, and high levels for many years. The two countries have many things in common in their arms expansion. First, most weapons of the two sides are mainly aimed at each other. Second, even after being in the arms race a long time, the military strength of both sides is still nip and tuck. Third, with regard to the kinds and properties of their weapons, they each have their own strong points and it is hard to make a comparison.

According to the latest annual survey report prepared by the London International Institute for Strategic Studies on strategic nuclear weapons, the Soviet Union obviously occupies a dominant position over the U.S. in intercontinental surface-to-surface missiles. (The Soviet Union has approximately 1,400 intercontinental surface-to-surface missiles, which can carry 6,420 nuclear warheads, and the United States has about 1,000 such missiles, which can carry 2,100 nuclear warheads.) However, in warheads carried by submarine-launched nuclear missiles, the United States gains the upper hand by a ratio of one to two. (The United States has 640 such missiles, carrying about 6,600 warheads. The Soviet Union has 900, carrying about 3,200 warheads.) In airborne guided missiles, the United States gains the upper hand by a ratio of one to four. (The United States has 260 bombers, carrying more than 4,000 nuclear warheads. The Soviet Union has 160, carrying more than 1,000 nuclear warheads.)

In medium-range guided missiles, both the United States and the Soviet Union have something to be commended, and the two sides are well-matched. However, with regard to short-range weapons and conventional weapons, the Soviet Union has superiority over the United States.

This means that neither the United States nor the Soviet Union can overpower the other on the battlefield and they dare not act rashly. At the disarmament negotiating table, neither is willing to make mutual concessions for fear of being overwhelmed by the other. [paragraph continues]

Even if a disarmament agreement were reached in principle, no action would be taken after decades of negotiations because their views are far apart on what kinds of weapons should be reduced first and what should not be reduced in view of the strategic situation and the various weapons properties. As a matter of fact, despite endless negotiations, the arms race has never stopped and the production of new weapons has never been delayed. At present, a new round of the arms race is developing in breadth and depth and is moving toward the "high frontier." Both sides have set a deadline for their research plans on advanced weapons at around the year 2000 and are prepared to have a long-term contest of strength.

Under such a situation, the U.S.-Soviet Reykjavik summit last October nearly broke up in disorder. Both sides earlier had agreed in principle that they would reduce their strategic weapons by 50 percent within 5 years and make further reductions within 10 years. However, differences of opinion arose whenever discussions on concrete measures to be taken were made. The United States advocated destroying "all its ballistic missiles" within 10 years but not destroying its bombers and cruise missiles, which are superior in quality and larger in quantity so as to counteract Soviet superiority in conventional weapons. The Soviet Union, however, did not agree to this. It asked for U.S. suspension of its Strategic Defense Initiative and requested that the United States conduct research and experiments only in the laboratory. The United States said no. Each held to its own position. This shows that their conflicts are notable. So far, the negotiations are virtually in the state of discussion where no action is being taken.

Taking Action, But Holding No Talks [subhead]

The issue between the United States and the Soviet Union of taking action, but holding no talks refers to their scramble for different regions in the world. Even when both sides entered into negotiations on this issue, they achieved nothing and sometimes made accusations against each other. There was no common language between them and the negotiations bogged down. Aside from their grave military confrontation in Europe, the two countries wrestle in a jigsaw pattern in many regions, thus creating many hot spots in the world.

In the Middle East, the United States had a superior position over the Soviet Union in the first place. It should have established relatively close ties with Islamic and Arab countries, both moderate and radical. If the United States had been impartial, it would have achieved certain results in speeding up the "Middle East peace process." The problem is that U.S. partiality to Israel and its prejudice against the PLO have been an insurmountable barrier. Experience has demonstrated that the military operations and political pressure employed alternately against some Arab countries and the PLO by the U.S.-Israeli strategic alliance can neither bring about justice and peace to the Middle East nor maintain U.S. strategic interests. The breach of the Jordan-PLO agreement not long ago, U.S. raids on Libya, and the recent exposure of the U.S.-Iranian arms deal have further shown U.S. inexpediency and failure of its policies in the Middle East. This will probably make the United States lose its diplomatic initiative and superiority in the region.

In the past the Soviet Union was put in a passive position in the Middle East, but now it is more active than before. It is readjusting its relations with Israel and Lebanon and strengthening its mediation between different factions of the PLO. At the same time, the Soviet Union also takes a great interest in the convocation of an international Middle East conference. In a new position, it is trying to regain the initiative in the Middle East in a bid to engage in a new trial of strength with the United States.

In Central America, U.S. interference in Nicaragua is still escalating under the pretext of countering Soviet infiltration and territorial expansion. Central and South American states, including the Contadora Group and the Support Group, have failed to achieve desired results in their efforts to ease the tension. The intervention and contention of the superpowers in that region have made the situation more complex and dangerous.

U.S. and Soviet policies in Asia and the Pacific have aroused attention around the world because the strategic position of the region is becoming more and more important. At present, Cambodia and Afghanistan are hot spots in the region. By supporting Vietnam's invasion of Cambodia, the Soviet Union pushed its position in the region forward by several thousand kilometers in one stroke. It also moved its troops about and mounted a large-scale invasion in Afghanistan and pressed on toward Pakistan and Iran, eyeing the Indian Ocean covetously. Consequently, although the Soviet Union has a heavy weight on its back, it has gained a lot in the strategic field. On the one hand, it is reinforcing its Navy and Air Force in Asia in an all-round way, from the Far East and Central Asia to Cam Ranh Bay. It has deployed different types of missiles, aircrafts and other new weapons and increased its aid to Vietnam considerably. On the other hand, it advocates that Asia and the Pacific should be included in the "international security system." All this shows that strategically, the Soviet Union is advancing south toward Asia and it will not retreat from those positions it now occupies.

The United States met with one defeat after another in its aggression and intervention in Asia because it was overanxious for quick results. Now it advances steadily in an effort to realize its long-term plans. To counter Soviet and Vietnamese territorial expansion, the United States has withdrawn to the second line and is fighting indirectly. It makes continuous efforts to readjust and strengthen its relations with Japan and develop military cooperation. At the same time, it also insists on stationing its troops in South Korea and on developing its traditional relations with the ASEAN countries. It does not openly interfere in the political situation in the Philippines in a bid to stabilize the situation. In view of bilateral and overall long-term interests, the United States is improving its relations with China.

In a certain sense, the U.S. plan of staging a comeback in Asia and the Soviet strategy of advancing south toward Asia is blow for blow.

Basically, the United States and the Soviet Union have not changed their policies of strengthening the arms race. Regional contention and "low intensity" regional conflicts are endless. The shadowy threat of a world war still lingers.

Prospects for Peace [subhead]

However, the bipolar structure, with the United States and the Soviet Union as the center has begun disintegrating. At present they can no longer determine important issues in international relations such as war and peace. Most countries in the world, especially the Third World countries, oppose power politics and military alliances and make sustained efforts to strive for peace and social progress. They are not in a position to stage a world war, but they are in a position to foil and halt it. China, which pursues an independent diplomatic policy of peace, stands side-by-side with them. If Europe and Asia are regarded as two regions that world hegemony must contend for, then China, which resolutely opposes hegemonism, is hard to contend for. By opposing and restricting wars, China can make distinctive contributions.

European countries, including U.S. and Soviet allies, are generally unwilling to become an ignition point for a world war again, and are still less willing to be cannon fodder for a nuclear war. Moreover, hundreds and millions of people in the world bitterly hate war and antiwar mass movements now rise and fall around the world. People of the 1980's will, on no account, let the superpowers lead the world into a war of destruction.

Meanwhile, the development of military science and technology has changed many traditional laws of war and military thinking and has had a great influence on the world strategic structure. It is very likely that a nuclear world war will make belligerent countries perish in common ruin. The stronger a nuclear power is, the less it dares to wage war. Disarmament is not only a common demand of all countries but also the condition which enables the United States and the Soviet Union to coexist as opponents and to keep both sides from suffering losses.

These changes that have occurred are favorable factors that contribute to preventing a world war and safeguarding world peace. From the development of the world situation in the past year, we may also see the effect of these favorable factors.

First, the strategic positions of the United States and the Soviet Union in the whole world are still being weakened. Their contention for regions in the world has not gone smoothly. In the Middle and Near East and in Central and South America, as well as in Afghanistan and Cambodia, power politics and military intervention are confronted with resistance and increasing difficulties. Second, U.S.-Soviet relations are full of conflicts, but, all in all, the countries have exchanged dialogues again at a high level. No agreement was reached at the Iceland summit, but through discussions both sides, for the first time, reached an understanding or attaining a balance through substantial reductions in strategic weapons and medium range missiles. In the past they often sought a balance at a higher numerical level. This is certainly an improvement. Both the United States and the Soviet Union believe that the understanding reached at the summit can be taken as a new starting point for further negotiations.

To summarize the above, there is still the danger of a world war, which will not disappear, and regional conflicts of "low intensity" will inevitably occur occasionally. However, in my opinion, a world war is not likely to break out before the end of the century. To all countries working for peace and development this will offer time and opportunities to increase their national strength so that they will be able to resist and frustrate aggressive wars and hegemonic activities from different areas and to mobilize all forces to force the United States and the Soviet Union to take effective measures in disarmament, and even in the prohibition and destruction of all nuclear weapons. In preventing wars and safeguarding peace, the task is arduous and the road ahead is long; but favorable factors are increasing. This is the trend of the times and the prospects for peace are bright.

JOURNALIST REQUESTS POLITICAL ASYLUM IN BONN

LD031742 Hamburg DPA in German 1631 GMT 3 Feb 87

[Text] Bonn [no date is as received] (DPA) -- PRC foreign news correspondent Chen Mingxiang has defected to Bonn. DER SPIEGEL has reported that, in taking this step, Chen wanted to protest against being forced to sign a written undertaking to report in a more negative way about his host country. DPA has learned that Chen disappeared in early January.

When asked about this Tuesday, the PRC Embassy in Bonn strongly protested this version. Chen 47, had never had to sign such an undertaking at the embassy, since there were no such instructions, First Secretary Hu Jundan, the press representative, affirmed.

German and PRC sources told DPA that instructions of this type are unknown and would be inconceivable nowadays. Asia experts regard the alleged "forced undertaking" as a pretext.

Chen, a correspondent for Beijing Radio, has apparently asked for political asylum. He is the second PRC citizen to defect in Bonn. A few weeks ago the first secretary and commercial attache to the embassy, Tu Bingru, also asked for asylum. In neither case has it so far been possible to document the asylum applications, establish the whereabouts of the persons in question or discover their motives.

Chen was a party member and had been promoted shortly before his defection. His rank was roughly equivalent to that of first secretary, a senior position. The correspondent, who was described as a congenial soul who enjoys life, was in the Federal Republic in the summer of 1985 with Premier Zhao Ziyang.

GU MU MEETS SWISS DRUG COMPANY EXECUTIVE

OW201343 Beijing XINHUA in English 1213 GMT 20 Jan 87

[Text] Beijing, January 20 (XINHUA) -- State Councillor Gu Mu met here today Vice-President E. Vischer of Ciba-Geigy, a Swiss pharmaceutical corporation, and his party.

Ciba-Geigy, one of the ten largest pharmaceutical firms in the world, yesterday signed a contract with the Beijing Pharmaceutical Corporation and the Beijing No 3 Pharmaceutical Factory on establishing a joint venture in Beijing.

The new joint-venture company, the first of its kind in Beijing's pharmaceutical industry, has a total investment of nine million U.S. dollars, half of which comes from the Swiss firm.

PARTY SPOKESMAN SAYS PROPAGANDA CHIEF REPLACED

HK031234 Hong Kong AFP in English 1226 GMT 3 Feb 87

[Excerpt] Beijing, Feb 3 (AFP) -- The Chinese Communist Party has replaced its propaganda chief, a party spokesman said Tuesday.

Wang Renzhi, the new propaganda chief, is seen as a conservative figure within the Chinese leadership, analysts say here.

The spokesman said Zhu Houze, 56, "was replaced recently" and that Mr Wang now had the post, but refused to say when this had happened or give the reasons for the change. He said Mr Zhu had been appointed "to another post."

Informed Chinese sources said Mr Zhu had been suspended from his post in late December for advocating greater freedom of expression in recent ideological debates. [passage omitted]

FOREIGN JOURNALISTS EXPRESS CONCERN ON AFP CASE

HK040608 Hong Kong AFP in English 0549 GMT 4 Feb 87

[Text] Beijing, Feb 4 (AFP) -- Foreign correspondents here have asked Chinese authorities to provide evidence to back the charges leveled against AGENCE FRANCE-PRESSE (AFP) correspondent Lawrence MacDonald, who was expelled from China last week.

In a letter sent Wednesday to the Information Department of the Chinese Foreign Ministry, members of Beijing's Foreign Correspondents Club (FCC) asked "either that the charges against Mr MacDonald be substantiated or that he be allowed to return to China to resume his professional work."

It was the first time foreign correspondents in Beijing had mounted an organised protest of this kind, observers said.

Chinese authorities refused a request to meet him with a delegation of foreign journalists to discuss the case, advising: "You had better not get involved."

The Chinese Government accused Mr MacDonald, 32, of "activities incompatible with his status as a journalist during protests by a small number of Chinese students."

The journalists asked in their letter "to know what constitutes, under Chinese law, 'unacceptable activities'."

Mr MacDonald, a U.S. citizen and one of four AFP journalists based in Beijing, was expelled and put on a Hong Kong-bound plane Friday morning without notice, despite earlier assurances that he would be given several days to leave the country.

The NEW CHINA NEWS AGENCY had reported on January 25 that a student in the northeast city of Tianjin was arrested for "secret collusion" with Mr MacDonald.

The Chinese Government has refused to elaborate on the charges brought against Mr MacDonald, and expelled him on the grounds that AFP had failed to transfer him out of Beijing "as soon as possible."

The management of AFP, which has its headquarters in Paris, had said in a statement that "it is not AFP policy to recall a correspondent whose work has been fully satisfactory."

AFP noted that the Chinese Government refused to renew the accreditation of its correspondent who was at first given a few days to leave China.

Expressing "deep concern" over the case, the journalists wrote that Mr MacDonald's expulsion had "serious and unsettling implications for all foreign correspondents living and working in China" and requested "urgent clarification of the rights of foreign journalists working in China."

The Information Department said it had refused to meet with the FCC delegation because Mr MacDonald's case had "nothing to do with other foreign correspondents."

"The case of MacDonald is a matter of his own. He himself is responsible for it. It has nothing to do with other foreign correspondents in Beijing. You had better not get involved," a spokesman for the Information Department said.

The Beijing FCC decision was approved by a majority of correspondents present at a meeting earlier this week and was signed by 43 including several journalists from Eastern bloc countries. There are around 150 foreign journalists accredited in Beijing.

The FCC motion is to be sent to journalists' organisations abroad, particularly in the United States and France and to the Chinese media.

GUANGMING RIBAO FORUM ON THEORETICAL TASKS

HK020758 Beijing GUANGMING RIBAO in Chinese 22 Jan 87 p 1

[Report: "The Theoretical Department of GUANGMING RIBAO Holds a Forum on 'How To Uphold the Four Cardinal Principles in the Course of Reform'"]

[Text] In the struggle against bourgeois liberalization, a glorious but arduous task for theoretical workers is to step up the building of Marxist theory and to strive to use Marxist viewpoints in writing analytical, theoretical, and convincing articles that are closely related to practice. This was a common view held by the comrades attending the forum on "How To Uphold the Four Cardinal Principles in the Course of Reform" convened by the theoretical department of this newspaper on 20 January. Present at the forum were Zhang Youyu, Liu Danian, Han Shuying, Jiang Liu, Lou Guojie, Zhao Yao, Xu Zhengfan, Wei Xinghua, and Xu Hongwu.

In their speeches, the participants unanimously held that upholding the four cardinal principles and carrying out reform, opening up, and invigorating the economy are the basic points of the line of the 3d Plenary Session of the 11th CPC Central Committee. In building socialism with Chinese characteristics we should rely on them. Upholding the four cardinal principles is the fundamental guarantee for the reform, opening up, and economic invigoration. If we do not carry out the policies of reform, opening up, and economic invigoration, building socialism with Chinese characteristics is out of the question. Theoretical workers should pay close attention to studying the new conditions, experiences, and questions in the new period. However, at present and for some time in the future, they should concentrate on opposing bourgeois liberalization. [paragraph continues]

The essence of bourgeois liberalization is to follow the capitalist road, to oppose the leadership of the party, and to negate Marxism and the people's democratic dictatorship. This can be proved from the words of Fang Lizhi, Wang Ruowang, and others. Its practical harm is to throw our theory into chaos, to confuse the minds of those lacking the basic knowledge of Marxism, to deprive the party of its unifying force and combat effectiveness, and to undermine stability and unity.

Some comrades pointed out: The viewpoint of "total Westernization" as advocated by a small handful of people advocating bourgeois liberalization gives concentrated reflection of the nature of bourgeois liberalization. The viewpoint stands for the implementation of the capitalist political and economic system in China and, theoretically, wants to substitute Marxism with bourgeois ideology. If the "total Westernization" put forward during the 4 May Movement had the significance of opposing feudalism, spreading this viewpoint today represents out-and-out historical retrogression.

Some comrades pointed out: For some time many abnormal circumstances have emerged in theoretical and academic circles. For example, whoever dares to criticize Marxism is regarded as "ideologically emancipated" and is well received. As another example, some comrades have gone so far as to advocate "giving a good name" to individualism; some said that "seeking legitimate profits is justifiable;" and some others held that "only by looking at money is it possible to look forward." This chaotic situation is precisely the evil consequence of rampant bourgeois liberalization.

Some comrades pointed out that the relationship between upholding and developing Marxism has been thrown into chaos over the past few years. We cannot talk exclusively about "developing" Marxism at the expense of "upholding" it. But how can we "develop" Marxism without "upholding" it? Upholding and developing Marxism form a unity. The starting point of this unity is the practice of Chinese revolution and construction.

In their speeches the participants stressed that upholding the four cardinal principles and opposing bourgeois liberalization is an arduous but glorious task for theoretical workers. In his speech at a forum on the principles of the party's theoretical work on 30 March 1979, Comrade Deng Xiaoping explicitly pointed this out. It is a pity that it has not been conscientiously implemented for many years. Today, this important speech should still be conscientiously studied and be regarded as our guiding thought.

All participants held that, to carry out the struggle properly against bourgeois liberalization, it is imperative to pay attention to drawing clear lines of demarcation in applying a policy. It is absolutely necessary to seriously criticize erroneous viewpoints spread by a small handful of people holding firmly to bourgeois liberalization. However, this criticism should be entirely reasonable and convincing and should be based on analyses. We should not do things in an oversimplified and crude way. With regard to those affected by this ideological trend to varying degrees, we should primarily adopt the method of self-education.

The participants also emphatically pointed out the importance of continuously implementing the "double-hundred" policy. In their view, opposing bourgeois liberalization and upholding Marxism neither abolishes the "double-hundred" policy nor negates the need to study advanced science and technology, universally applicable economic and administrative management experience, and other useful cultures from all countries in the contemporary world, including the developed capitalist countries.
[paragraph continues]

On the contrary, they complement each other. We cannot do without the guidance of Marxism nor the "double-hundred" policy. Only when "a hundred schools of thought contend" is it possible for us to continuously enliven our theoretical and academic circles and then to proceed to enrich and develop Marxism.

The forum was presided over by Yao Xihua, deputy editor in chief of this newspaper.

COMMENTARY ON UPHOLDING 'DOUBLE-HUNDRED' POLICY

HK021447 Beijing GUANGMING RIBAO in Chinese 24 Jan 87 p 1

[Commentator's article: "We Must Always Uphold the Policy of 'Letting a Hundred Flowers Blossom and a Hundred Schools of Thought Contend' -- Commenting on the Relationship Between Opposing Bourgeois Liberalization and Upholding the 'Double-Hundred' Policy"]

[Text] Opposing bourgeois liberalization has now become our utmost important task. The majority of the party members and people of our country now resolutely support this serious struggle. However, some of our comrades still have worries. One of their worries is whether or not opposing bourgeois liberalization will hamper the implementation of the policy of "letting a hundred flowers blossom and a hundred schools of thought contend." In fact, this kind of worry is not necessary.

The above worry is mainly caused by the lack of a correct understanding about the nature of opposing bourgeois liberalization. Opposing bourgeois liberalization means opposing a handful of people who negate the Communist Party leadership and socialist system, negate the great achievements of the Communist Party in leading the people of the whole country since the founding of the PRC, and advocate taking the capitalist road. This is a major struggle of principles related to the destiny and future of the CPC and the state. In preaching bourgeois liberalization, a very small number of people, such as Fang Lizhi and Wang Ruowang, have gone beyond the bounds set by the Constitution, and what they have done is by nature not at all related to "letting a hundred flowers blossom and a hundred schools of thought contend."

The policy of "letting a hundred flowers blossom and a hundred schools of thought contend" has always been our party's strategic policy guiding the work in theoretical, academic, literary, and art fields as well as in our country's political life. This policy has been repeatedly reaffirmed since the 3d Plenary Session of the 11th CPC Central Committee. On 16 January 1980, in his "The Present Situation and Task," Comrade Deng Xiaoping pointed out: "The party will always uphold the policy of letting a hundred flowers blossom and a hundred schools of thought contend." The "Resolution of the CPC Central Committee on the Guiding Principles for Building Socialist Spiritual Civilization" adopted on 23 September 1986 also clearly point out: "It is necessary to resolutely implement the policy of 'letting a hundred flowers blossom and a hundred schools of thought contend;' support and encourage bold exploration and free contention based on scientific research to greatly enliven Marxist theoretical studies; and ensure that policy-making is on a more democratic and scientific basis. In making policies and plans, it is necessary to adhere to the principle of democratic centralism. On academic and artistic issues, it is necessary to adhere to the principles laid down in the Constitution and allow academic freedom, the freedom to write, freedom to discuss, and freedom to criticize and counter-criticize." [paragraph continues]

Here, the stress on adherence to the "principle of democratic centralism" and the "principles laid down in the Constitution" is, as a matter of fact, aimed at preventing misuse of the policy of "letting a hundred flowers blossom and a hundred schools of thought contend" by very few people to advocate bourgeois liberalization.

According to the CPC Central Committee's resolution on the guiding principles for building socialist spiritual civilization, while implementing the policy of "letting a hundred flowers blossom and a hundred schools of thought contend" we must differentiate between the two situations: One is that academic and artistic issues can still be discussed and argued freely so long as such activities conform with the Constitution.

The other is that as regards questions of principle and policy, these can be studied and openly debated, argued, and discussed within a certain range before final decisions are made by the party, National People's Congress or government. However, once decisions on questions of principle and policy are made by the party, National People's Congress, or government, the principle of democratic centralism must prevail and be resolutely implemented, and under no circumstances should we allow individuals to comply with it overtly while opposing it covertly. If some people still hold different views by the time the decisions on questions of principle and policy are made, then these people must carry out the decisions in their actions according to the party discipline while being allowed to have reservations, continue to reflect their views through certain organizations and procedures, and discuss the relevant issues in proper ways if necessary. This will help to enliven scientific, technological, academic, theoretical, cultural, and artistic development, and ensure that all policy-making is on a more democratic and scientific basis.

It should be noted that our party has encountered a number of difficulties in carrying out the "double-hundred" policy and has been trying to overcome the interference of both the "leftist" and rightist erroneous ideologies. The interference of the "leftist" ideology is characterized by some people not recognizing the objective existence of "a hundred flowers" and "a hundred schools of thought," simply reducing "a hundred schools of thought" to only the proletarian and the bourgeois schools of thought, and thinking that the implementation of the "double-hundred" policy will give rise to and accelerate the further development of various erroneous ideologies. The interference of the rightist ideology is characterized by some people distorting the "double-hundred" policy into a policy of liberalization and thinking that they can "say" what they want to say and "do" what they want to do and what they "say" and "do" should not be restricted by the Constitution. Over the past few years, especially in 1986, our country suffered seriously from the ideology of bourgeois liberalization, namely a type of erroneous ideology, which has seriously hampered the correct implementation of the "double-hundred" policy. Fang Lizhi, Wang Ruowang, and others tried to divert our party's "double-hundred" policy onto the track of bourgeois liberalization. Therefore, opposing bourgeois liberalization is an important guarantee for correctly implementing the "double-hundred" policy.

We all understand that in order to implement the policy of "letting a hundred flowers blossom and a hundred schools of thought contend" and develop science and culture, we need an environment of stability and unity and an atmosphere of democracy and harmony. In order to form and develop a sound environment and atmosphere, it is necessary to oppose both the interference of the "leftist" ideology and the interference of the rightist ideology. A handful of people advocating bourgeois liberalization have tried to destroy the sound environment and atmosphere from the rightist side. [paragraph continues]

They only allow themselves to preach bourgeois liberalization but do not allow others to criticize their remarks which run counter to the four cardinal principles. If they are criticized, they will stamp with fury and think that others are "coming down with the big stick upon them." Obviously, this is a very abnormal situation in the political and ideological fields and is the main trend at present. A clear-cut stand in combating bourgeois liberalization will lead to a good political situation characterized by democracy, equality, and consultation, and a good academic situation characterized by bold exploration and freedom to discuss, debate, criticize and counter-criticize, and a rapid development of science and culture as well. From this, we can see that opposing bourgeois liberalization and implementing the "double-hundred" policy are identical, and there is certainly no contradiction between them. History will tell us: Far from hampering it, opposing bourgeois liberalization will in fact be still more beneficial for correctly implementing the policy of "letting a hundred flowers blossom and a hundred schools of thought contend."

GUANGMING RIBAO ON CHINESE INTELLECTUALS' MISSION

HK030855 Beijing GUANGMING RIBAO in Chinese 23 Jan 87 p 1

[Commentator's article: "What is the Mission for Contemporary Chinese Intellectuals? -- Our Fundamental Differences With Fang Lizhi Over Major Issues of Principle Concerning Chinese Intellectuals' Mission"]

[Text] For a time in the past, the mission of Chinese intellectuals, or their sense of historical mission and sense of responsibility to society, was the topic Fang Lizhi most frequently talked about on public occasions. It was also a topic which considerably misled people.

True, Chinese intellectuals who have ideals are praiseworthy because, in face of the present situation of reform, they soberly realize their historical mission entrusted by our times, and their enthusiasm is aroused for making contributions to the four modernizations program and invigorating the Chinese nation in order to build our motherland into a modern socialist power by the end of this century. Chinese intellectuals have always held a fine tradition. In each and every historical stage of the Chinese revolution, our outstanding intellectuals considered the transformation of the world as their task, and closely integrated their mission with the future of the state and the destiny of the nation. Whether during the period of the War of Resistance Against Japan in which they threw themselves into the powerful current of the whole nation's sacred war; whether during the difficult period of overthrowing the three big mountains and building a New China; whether during the period of promoting the great cause of building socialism; or whether during the torrential period of opposing the "gang of four," the broad masses of Chinese intellectuals have always worked together with the Chinese people to make correct historical choices.

However, the intellectual's historical mission in the eyes of Fang Lizhi is another matter. He talked a lot on many public occasions, blurring the distinction between socialism and capitalism, and completely denying our country's achievement in building socialism. He said that nothing was right with socialism. He also spread erroneous views that socialism was inferior to capitalism. Proceeding from this point he concluded: The present historical mission of Chinese intellectuals is to promote "total Westernization," with a "central point of all-round opening up, including our political and ownership systems." [paragraph continues]

He also urged "learning everything from the West, including science, technology, culture, politics, economy, ideology, morals, and so on." In this connection, he encouraged intellectuals to follow an "independent standard of ideology and values," which deviated from socialism, and to become an "independent social force" which embarked on the capitalist road. He openly announced: Intellectuals must join the party, because "after joining the party, they may change its color." He also stressed: "I officially suggest that the party be reformed."

It was obvious that with regard to the major issue of right and wrong concerning the mission of Chinese intellectuals, there was a fundamental difference between the broad masses of intellectuals in China, who had intuitive knowledge, and Fang Lizhi, who preached bourgeois liberalization.

To carry out modernization, should China follow the path of "total Westernization," namely the capitalist road, or take the road of building socialism with Chinese characteristics? This has been fully answered by the historical process over the past 100 years or so. Following defeat in the Opium War in 1840, advanced Chinese intellectuals thought about the question: "Where should China go?" They tried to seek the means of saving China in Western capitalist countries. As Comrade Mao Zedong pointed out: "The invasion of imperialism has broken the Chinese pipedream of learning from the West. The Chinese have learned quite a lot from the West, but not all these things work. The Chinese have always failed to realize their ideals." He added: On the contrary, "the situation in our country is getting worse with every passing day. Things are so bad that people can hardly survive. Some intellectuals, who were concerned about their country and their people, unrealistically thought of "using industry to save the country, using science to save the country, and using education to save the country." They tried to use these prescriptions to cure China's sickness. In reality, they likewise ran into a stone wall. The historical conclusion is: Only socialism can save China. This is an unshakable historical experience drawn by the Chinese people from their protracted struggle. This is also a conviction developed by the broad masses of intellectuals after groping in the dark. Many intellectuals, who once lived and worked in foreign countries, pointed out: In those years, they disregarded excellent material conditions, and determinedly left the capitalist countries to return to New China. There was a powerful driving force behind them. From a marked historical contrast, and their personal experience, they realized that only socialism could save China, and that only socialism could make our country powerful, invigorate our nation, and ensure good prospects for individuals. The Chinese intellectuals' mission, ideals, and aspirations cannot be separated from the socialist road.

Actually, anyone who is free from prejudice will accept the following fact: Establishment of the socialist system has provided Chinese intellectuals with conditions which are the best in Chinese history, so that they can give play to their talent. It is precisely because of the socialist system that Chinese intellectuals are able to undertake their historical mission. Over the past 30 years or so, progress has exceeded that made during the past several hundred or several thousand years. The establishment of socialism has narrowed the economic gap between us and developed capitalist countries. On the one hand, our country has made considerable progress in scientific, educational, and cultural undertakings. The successful explosion of atomic and hydrogen bombs has broken down the imperialist nuclear monopoly. With regard to some scientific and technical items, such as space technology, hereditary projects, computers, and other projects which were blanks in Chinese history, we have not only developed them, but also achieved first-rate results in the world. On the other hand, we have trained several million intellectuals to master modern science and technology and various kinds of professional knowledge. [paragraph continues]

This is a fact which is obvious to all, and admitted even by those persons of insight in Western countries. Although we lag behind developed capitalist countries in economy, technology, culture, education, and so on, this is not because of the socialist system. Poverty and backwardness left over from history cannot be defeated overnight. In this sense, this is where the Chinese intellectuals' mission lies. However, were we to do as Fang Lizhi advocated and develop "total Westernization," and take the capitalist road, China would inevitably retrogress to a semifeudal and semicolonial society, and again be thrown into chaos. Disunity, darkness and retrogression are not acceptable to all Chinese intellectuals who have national self-esteem.

Of course, with regard to the issue of intellectuals, we once committed mistakes, and have drawn bitter lessons. In particular, when the "gang of four" ran wild and socialist democracy and the legal system were trampled upon, intellectuals suffered a great catastrophe. Since the 3d Plenary Session of the 11th CPC Central Committee, the entire party has made great efforts to correct the mistakes and sum up experience, so that the spring of sciences, art, and literature returns to the earth again. Intellectuals in our country have greater ease of mind than they have ever had before, and their wisdom and talents have been brought into full play. Their political status, and working and living conditions, have been considerably improved. The work in this regard must be continued and insisted upon in the future. All this has precisely shown that the crux to overcoming various erroneous views on disregarding knowledge and looking down upon intellectuals in practical life, lies in further improving the socialist system and perfecting socialist democracy and the legal system. We will accomplish nothing if we deviate from socialism.

The historical mission of Chinese intellectuals cannot be separated from socialism. Building socialism with Chinese characteristics is a historical mission for Chinese intellectuals entrusted by our times. This has become a truth understood by more and more intellectuals. We oppose "total Westernization" and the practice of copying capitalism without making a distinction between the essence and the dross. However, opening up to the outside world is our unshakable basic national policy. We should learn advanced science and technology from various countries in the world, including developed capitalist countries. We should also learn from their experience in management and administration, and other things which are useful to us. Since the Third Plenary Session of the party we have sent, and will continue to send, over 10,000 students to study abroad. A great number of experts and scholars visit foreign countries for inspections. International academic exchanges are unprecedentedly active. In this regard, Chinese intellectuals have undertaken a special mission. How should we absorb the science and technology and experiences of various world countries, including developed capitalist countries, and use them in an analytical and comparative way so that socialist modernization in our country can be speeded up and our socialist motherland will join the ranks of world advanced countries? This is an important task facing people throughout the country. It is also an unshirkable mission for Chinese intellectuals. The broad masses of patriotic Chinese intellectuals, who have ideals, will certainly live up to our nation's expectations.

ISMAIL AMAT VIEWS MINORITY NATIONALITIES WORK

OW301210 Beijing XINHUA Domestic Service in Chinese 0004 GMT 25 Jan 87

[Excerpts] Beijing, 25 Jan (XINHUA) -- Title: An Important Matter Relevant to the Four Modernizations

-- An interview with Ismail Amat, Minister of the State Nationalities Affairs Commission, on nationalities work

By XINHUA reporter Li Shangzhi

During an interview on nationalities work Ismail Amat, Minister of the State Nationalities Affairs Commission [SNAC], felt it is necessary to underscore the important role of nationalities work. He said: "Proper nationalities work and promoting unity among people of all nationalities work and promoting unity among people of all nationalities have an important bearing on the four modernizations. Comrade Deng Xiaoping recently pointed out: China is united and our measures for handling nationalities problems are proper. I think Comrade Deng Xiaoping's opinion is entirely correct. The party Central Committee always maintained that the whole party and the entire society must pay attention to nationalities issues and handle nationalities affairs properly." [passage omitted]

Ismail Amat believed that the achievement accomplished in nationalities work today are among the highest since the founding of the republic. This is because since the 3d Plenary Session of the 11th CPC Central Committee the party and state have regarded proper nationalities work an important matter that is relevant to the state's destiny and the four modernizations and have provided guidance on that basis. In addition to settling a great deal of unresolved problems and drawing up a series of policies and laws conducive to minority nationalities' economic and cultural development, promoting unity, and the establishment of regional autonomy for minority nationalities, they have provided regions of minority nationalities enormous financial, material, and technical support to assist in their economic construction. On the other hand, people of all minority nationalities have also made tremendous contributions to the nation's four modernizations. A thriving situation characterized by political stability, stronger unity, and vigorous economic construction has appeared in all regions inhabited by minority nationalities.

Ismail Amat cited facts to prove his point. He said: "During the Sixth 5-Year Plan the total industrial and agricultural output of all autonomous areas grew by an average of 9.7 percent per year, exceeding the average annual growth of 6.6 percent achieved in the previous Fifth 5-Year Plan. For example, these areas' total industrial and agricultural output reached 80.1 billion yuan in 1985, topping that of 1980 by 58.6 percent. New growth was registered in all minority areas' industrial and agricultural output in 1986. Noticeable improvements in the living standards of people living in urban and rural areas of minority areas have also been observed. Relatively rapid development has also been noted in their education, science, culture, public health, and sports. With the establishment of 26 minority nationality autonomous countries in recent years, the nation has now a total of 136 national autonomous areas -- 5 autonomous regions, 31 autonomous prefectures, and 100 autonomous counties or banners. The system of regional autonomy for minority nationalities has thus been further improved and developed. [passage omitted]

Ismail Amat said: "We must also soberly realize and seriously study the problems in nationalities work. For example, the economic development of most minority areas is still slower than the national average. A small number of minority people still have food and clothing problems. Educational, scientific, cultural, and public health development is still very backward in minority areas, and the Law of Regional Autonomy of Minority Nationalities has to be more effectively implemented. [passage omitted]

Ismail Amat maintains that China's current nationalities work should focus on accelerating the economic development of minority areas. He said nationalities affairs commissions at all levels must actively participate in minority areas' economic work.

They must begin with studying a general plan for developing minority areas' economies and solving their actual problems and assist economic departments and with the aim of combatting poverty by developing the commodity economy. [passage omitted]

As for measures to accelerate the development of minority areas' commodity economies, Ismail Amat cited the following measures: 1) promoting lateral economic ties; 2) upholding the policy of opening to the outside world; 3) improving cadres' management proficiency; and 4) improving the aid-the-poor program.

Ismail Amat said: Developing lateral economic ties is an important way to accelerate minority areas' economic development and promote contacts and social progress among people of various nationalities. While intensifying economically developed areas' support for minority areas, all forms of lateral economic ties should be promoted in all areas, at all levels, and through all channels on the basis of voluntary participation, mutual benefit, and reciprocity. [passage omitted]

He continued: "People of over 20 minority nationalities in China are neighbors of people of the same nationalities in other countries. Some minority nationalities share religions with foreign people. Moreover, hundreds of thousands of countrymen of minority nationalities are living abroad. These factors are favorable for opening to the outside world. We should continue to develop border trade, promote nongovernmental friendly contacts between border inhabitants, for promoting economic and technical contacts with foreign countries; expanding exports; and bringing in advanced technology, equipment, and capital, which are essential for border areas' economic development." [passage omitted]

Ismail Amat pointed out: Further promoting solidarity among people of all nationalities in China is an important aspect of socialist spiritual construction and an important project is doing nationalities work.

He said: "To achieve national unity during the new period we must uphold the four cardinal principles and achieve the common ideal, which is for people of all nationalities to become comparatively well off by the end of this century and then go on to build China into a highly civilized socialist modern state with a high level of democracy. People of all nationalities should learn from one another, help each other, and march forward shoulder-to-shoulder and hand-in-hand to achieve their common ideals. Thus, while implementing the resolution of the 6th Plenary Session of the 12th CPC Central Committee on building a spiritual civilization we should combine education in achieving the common ideal with education in promoting national solidarity; strive to create an atmosphere of equality, unity, fraternity, and mutual trust; and continue to consolidate and develop the socialist national relationship marked by equality, unity, fraternity, and cooperation." [passage omitted]

He continued: "While continuing to firmly implement the party's religious policy and safeguard freedom in religious belief, we must also strengthen the control of religious activities so that there will be no misinterpretation of the party's religious policies; no unauthorized solicitation of donations; and no religious interference in education, marriages, or judicial cases. We must also do away with feudalistic and superstitious ideas that obstruct national progress and guard against any restoration of feudal prerogatives and oppressive or exploitative systems that have long been abolished." [passage omitted]

In his talk Ismail Amat particularly emphasized the fact that the Law of Regional Autonomy of Minority Nationalities should serve as a basic law governing the implementation of regional autonomy for minority nationalities in China.

He urged all enterprise directors to be thrifty and set their eyes on economic gain while spending money. Otherwise, he said, it would be difficult to maintain healthy economic development.

He also urged enterprises to improve management, extend the responsibility system and achieve better economic results.

NEW MEASURES ADOPTED TO STRENGTHEN FREE MARKETS

HK040736 Beijing CHINA DAILY in English 3 Feb 87 p 1

[By staff reporter Guo Zhongshi]

[Text] The State has taken new measures this year to ensure an abundant market supply and clamp down on illegal activities in the country's nearly 65,000 registered free markets.

Following last year's thriving business, estimated at more than 70 billion yuan (about \$19 billion), free markets across the country have entered the new year with even brighter prospects, according to officials of the State Industrial and Commercial Management Bureau.

The state's flexible policies, relaxed control over prices and further reforms in rural areas are helping to spur farmers' enthusiasm in marketing their agricultural and sideline products in free markets, where urban residents purchase more than half their daily food and necessities. The proportion is expected to grow this year, said Zou Keqiang, an official in the Market Department of the bureau.

He told CHINA DAILY that the new measures recently adopted by the bureau -- which mainly include organizing transport and supply, publicizing market regulations and reinforcing quality and hygiene inspections -- were aimed at maintaining market order and preventing illegitimate practices in the "burgeoning trade."

As part of its new service to free markets, the bureau has taken the responsibility of providing market information to traders, arranging supply trips by individuals and households which specialize in transport and organizing various forms of trade fairs covering morning markets, night markets and specific commodities, he said.

"We also will devote efforts to publicize the market regulations to all the merchants and keep a close watch on the quality of service and merchandise on the markets," said Mao Xincui, chief of the market department of the bureau, which has branch offices in every corner of the country.

At the same time, Mao said, the bureau will try its best to do away with unlicensed traders through strengthened inspections and severe punishment.

Starting this year, particularly during the Spring Festival peak sales period, Zou said, the bureau has linked hands with health and quarantine departments in an attempt to tighten control over the quality of free market commodities, especially food.

He said: "We want to strictly check counterfeit commodities and fake trade marks and guard against food poisoning, which has been found in many free markets."

He cited as an example a district market in Shenyang in China's northern Liaoning Province, where the local Bureau of Industry and Commerce found within one month last year more than 500 cartons of counterfeit famous-brand cigarettes and more than 18,500 bottles of counterfeit wine and liquor. "As they pose direct health hazards to consumers, falsely labeled liquor, food and cigarettes will be the centre of tight inspection and severe punishment for a long time to come," he added.

To maintain market order, he said, the bureau will also be harsh on traders who intimidate consumers and coerce suppliers or resort to violence and those who cheat consumers on weight or quality.

JINGJI RIBAO ON ATTENTION TO OVERALL SITUATION

HK310850 Beijing JINGJI RIBAO in Chinese 20 Jan 87 p 1

[Commentator's article: "Do Not Forget China's Overall Situation"]

[Text] This year, we must concentrate efforts on doing one important thing, that is, we must compress the overheated "air" in the economy and lay a solid foundation for the long-term steady development of the national economy. This matter is of crucial importance to the country's overall situation. Leading cadres and workers on the economic front must pay close attention to it.

Now large-scale construction is being carried out all over the country. Its scale, the large number of projects undertaken, and, in particular, the enormous increase in investment uncalled for by the budget are hardly commensurate with the country's national strength. In addition, the makeup of investment is quite irrational; people have started too many non-productive projects and projects in the processing industry, and investment is increasing too sharply. All this has led to further strains on energy supply, communications, and the supply of raw and processed materials. The large amounts of investment and its irrational makeup strain the economic relations between various parties and have produced some very adverse effects on socioeconomic development. They are a heavy burden hindering our advance. We cannot afford not to take them seriously.

We have been talking about checking investment and readjusting its makeup for several years. We adopt some measures each year and these measures have produced some results. However, the problem is not completely solved. Over the past 2 years, the problem has become very serious. Why? An important reason is that many of our comrades fail to take the country's overall situation into account while pondering problems and fail to understand, on the basis of the principle of fighting hard and building up the country through thrifty and hard work, the problem of controlling investment. They ask for high growth rates and are too anxious to bring about changes. They want to do whatever will achieve something in short order. They simply give no thought to priority, the circumstances in various parts of the country, our conditions, and the country's financial strength. Seeing that their localities or departments have become well developed economically, some comrades in some prosperous parts of the country think that the country as a whole has become very prosperous. They become hotheaded and spend money extravagantly. In some not very prosperous or even rather impoverished areas, seeing that others are doing things speedily, people have also become hotheaded. In spite of the absence of the proper conditions, they also want to bring about changes and try to propose projects before others do. They compete with one another and care about nothing except their own projects. They are anxious to undertake all neglected tasks and to bring about an "unprecedentedly high growth rate." As a result, the problem of inflation of investment is becoming increasingly serious.

He said that earnestly implementing this law is significant for consolidating national unification, strengthening national unity, developing minority areas economic and cultural work, building China into a socialist modern power, and ensuring long-term prosperity and stability in the country. He maintained that, to ensure full implementation of this law, the two-in-two areas should be done well: Higher level state organs must provide needed leadership and assistance to autonomous areas as prescribed by the law and, guided by the law, all autonomous areas must draw up autonomous regulations or special regulations with distinctive local characteristics, according to actual local needs. He added that the key issue in implementing minority nationalities' regional autonomy, promoting economic and cultural development among people of minority nationalities, and promoting national solidarity lies in training and using cadres and professional management personnel in minority nationalities. "The party and the state have exerted great efforts in this regard, and there will be even greater success in this area."

ECONOMISTS PREDICT STABLE ECONOMIC DEVELOPMENT

OWO21326 Beijing XINHUA in English 1310 GMT 2 Feb 87

[Text] Beijing, February 2 (XINHUA) -- A stable economic growth for China in 1987 has been predicted by economists here on account of the country's improved supplies of materials for production.

In interviews with XINHUA, the economists said that coal, rolled steel and cement available for supply at the end of last November was 7.4, 19.2 and 14.6 percent more than at the beginning of 1986.

"This indicates changes in the situation in which economic growth was affected by inadequate supplies of key materials," one said.

Additional production capacities achieved last year for electric power, coal and petroleum were "fairly great", the economists said, noting that this will be another material condition for ensuring a stable economic growth in 1987.

Last year also saw work under way to build eight electrified railway lines totaling 4,000 kilometers in length, which the economists said will play a vital role to China's economic growth along with the 600 telecommunications projects completed.

Both the urban and rural markets are brisk, they said, adding that the world economy is continuing to grow and some foreign currencies have appreciated, thus conducive to China's effort to expand its exports.

Moreover, the current reforms now being deepened will become a "powerful force boosting China's economic growth".

Nevertheless, they emphasized, work must be done to increase the potential for agricultural production -- for grain production in particular.

Large and medium-sized enterprises are yet to be further invigorated to increase the output of goods catering to market demand. Meanwhile, excess expenditures must be cut, they said.

MORE FAVORABLE CONDITIONS FOR ECONOMY IN 1987

HK040724 Beijing CHINA DAILY in English 4 Feb 86 p 1

[By staff reporter Guo Zhongshi]

[Text] The development of China's national economy this year will enjoy much more favourable conditions than last year, heralding a brighter economic situation for the years to come, according to the State Economic Commission.

The total industrial output value in the first month of this year showed an increase of 5 per cent over the same period last year and the growth rate for the first half of the year is expected to reach 10 percent, said Zhu Rongji, vice-minister of the commission.

Despite an expected slow-down in the rate of growth in the latter half of the year because of the high base figures from last year's development, the 1987 target of a 7 percent increase can undoubtedly be fulfilled, he said.

The speed of industrial development across the country had been brought back on to a normal track as the State's policies succeeded in controlling the overheated growth of 1985, Zhu said. As a result, he added, enterprises were left with surplus of enthusiasm for conducting reforms within themselves and improving their economic rates of return.

He said the conditions for this year's production had improved greatly compared with last year. The country had done a good job in its production of major industrial materials and energy last year while imported raw materials and components had been properly arranged in advance, he said.

By November last year, the amount of basic production materials kept in stock had risen considerably, easing the strain between supply and demand. Coal increased by 7.4 percent, steel 19.2 percent and cement 4.6 percent, he said.

The country's production capacity would be further increased in the next year as many key enterprises, especially those in coastal areas, now undergoing technical transformation, went into operation, he said. These had imported some 3,000 items of advanced technology to upgrade themselves over the past few years.

Commodity production would also enjoy favourable conditions since the domestic market was getting increasingly lively and the world market was showing signs of development, promising a good year for exports by Chinese industry, he said.

A series of state policies to reduce some taxes make bigger allowances for depreciation, and improve the environment in which enterprises operated, would also push the development of the national economy ahead, he said.

However, he said, enterprises still faced problems with investment, quality control and economic efficiency. The pace of adjusting the product mix of enterprises was still slow, he said.

Some enterprises, he said, were still producing goods regardless of market demand, resulting in sharp increases in the amount of capital absorbed in stocks of products.

What consequences have been produced? According to reports prepared by the relevant departments, the inflation of investment and its irrational makeup have deprived many construction projects of funds and material resources, with the result that we have been unable to launch them as scheduled and that there has been much delay. In addition, the quality of work has seriously declined as a result of the rush in launching some projects. Also because of this rush, the supply of production means is strained and prices have gone up abnormally. The increase in the import of materials and equipment has led to a further imbalance in foreign exchange. In some parts of the country, because of the large number of construction projects being executed, people jostle against one another and things are in a disorderly state. After the completion of many projects, the supply of energy and raw and processed materials and the availability of transportation facilities are still not guaranteed while basic and supporting facilities have yet to be built. Because of their lack of working funds, some production units have further strained the banks' credit resources after putting some projects into operation. If we allow such a situation to develop, we will soon be forced to readjust the economy and suffer heavy losses.

The majority of comrades sincerely support the principle of compressing the overheated "air" and think that it bears directly on the crux of the matter. They have indicated that they will resolutely implement it. However, there are some comrades whose understanding of the situation is inadequate. They stress the special conditions in their localities or departments and ask for "allowances." Others think that they are "worse off" precisely because they have not done things earlier. This shows that there are people who give no thought to the overall situation. Ours is not a very well developed country economically. Conditions differ in various parts of the country as well as in various departments and development is not balanced. If, like people who are crammed in a bus and yet refuse to alight, we all stress our "special circumstances" without taking the overall situation into consideration, the bus will be unable to move and we will face great danger and suffer heavily.

Thus, in considering construction projects, we must bear in mind that we should "have all-round considerations and arrangements for the nation as a whole; base our projects on the country's actual condition; and make sure that we can reduce the number of projects not called for by our plans, as well as the number of nonproductive projects, and the number of general projects, and that we maintain the projects called for by our plans, productive projects, and key projects. In the event that there are things which are feasible and which should be done from the viewpoint of various localities and departments but which are not feasible and which should not be done at all or for the time being from a national viewpoint, we should resolutely act in the interest of the overall situation. Even if the state has approved our projects, we should still make overall arrangements, distinguish between what is urgent and what is not, and find out whether there is a reliable electric power supply and whether the necessary conditions are present. If any one of them is missing, we should resolutely stop, even if we have begun executing our projects. This is China's overall situation. Comrades, have you given any thought to China's overall situation as far as the problems of checking investment and of readjusting the makeup of investment are concerned?

STATE COUNCIL REGULATIONS ISSUED ON S&T REFORM

OW031200 Beijing XINHUA in English 1146 GMT 3 Feb 87

["China To Further Science, Technology Reform" -- XINHUA headline]

[Text] Beijing, February 3 (XINHUA) -- China has decided to boost its reform of scientific and technological management.

The State Council recently issued "Regulations on Furthering Reform of the Scientific and Technological System" to promote a favorable social environment for scientists and technicians.

The State Council held that since the Central Committee of the Chinese Communist Party made the decision to reform the science and technology sector of China's economy more than a year ago, effects have been seen in the reform of funding, expansion of technical markets, enlargement of decisionmaking powers, promotion of union between scientific research and production and enhancement of technology intake and development ability.

However, there is an imbalance in the distribution of personnel.

The State Council also stipulated:

1. Every department of the State Council should implement the separation of administrative and scientific duties. Units should gradually become managed by the enterprises and leading cities. The state's management of scientific and technological units should shift from direct control to indirect management with the state only carrying out policy guidance and coordination.
2. Most of the units that focus on the development of technology, especially those centered on the development of new products, should gradually unite with enterprises more closely. Research funds should eventually come from the sales income of the enterprise or enterprise groups.
3. Other units should adopt various forms to serve the economy. These units can depend for their funds on income from such services.
4. Generally, units will not add new agencies or enlarge their personnel.
5. The state will gradually reduce the amount of money directly granted to scientific and technological units.
6. The director responsibility system will be fully implemented.
7. The separation of proprietary rights and managerial rights should be gradually carried out.

Furthermore, the State Council stipulated:

Every department concerned should organize scientists and technicians to go to small and medium-sized enterprises and rural enterprises; to set up and manage all kinds of technical development projects, technical services, technical trading agencies, and joint-venture enterprises and stock companies. They should be allowed to get a reasonable income while creating wealth for the society. Governments at different levels and related departments should loosen their salary policies, welfare funds, etc. Moreover, they should support them in providing loans and in the matter of taxation.

These measures will contribute to speeding up the commercialization of technical achievements and promote new technology and new industry. They will also help foster a new generation of entrepreneurs.

CHEN MUHUA ON FINANCIAL STRUCTURAL REFORM

HK310722 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 3, 19 Jan 87 pp 3, 4

[Article by LIAOWANG reporter: "Reform of China's Financial System: Past and Future — An Interview With Chen Muhua, State Councillor and Concurrently President of the People's Bank of China"]

[Text] It is already the third year State Councillor Chen Muhua has concurrently been president of the People's Bank of China. In the last 2 years, great headway has been made in the Chinese financial cause. Recently, this LIAOWANG reporter obtained an interview with this sole female president of any central bank in the world.

Following a big snowfall, the air was clean and fresh in Beijing. In her office, Chen Muhua gave this reporter a detailed introduction to the achievements of the financial work in China over the last 2 years and the tasks and plans for the financial reform in 1987. Although she is 65 years old, Chen Muhua can speak and think very clearly. Surprisingly, she has a good memory for citing a host of figures.

"Rigidity Precedes Invigoration" in the Strengthening of Macroeconomic Control [subhead]

"On my 10th day in office, the NPC asked us to explain clearly the reasons for the credit inflation and excessive issuance of currency in 1984. For a person like me, who had just taken over the financial work, this was really a tough situation." Thus, we began our conversation. As people know, Chen Muhua has been involved in the economic work of the government for a long period of time and has also been concurrently taking charge of the work of medicine and public health, family planning, tourism, and so on. She began to do the work of foreign economic relations and trade in the beginning of the 1960's. Finance is a new area for her.

"We carry out financial work strictly according to the demands made by Premier Zhao Ziyang in the 'Report on the Work of the Government' to ensure that the development of the economy in our country is sustained, steady, and coordinated and a basic balance between the general social demand and supply is maintained. Finance work must give play to its role as an economic lever and strengthen macroeconomic control. Beginning in 1985, we adopted a series of measures of 'making rigidity precede invigoration' and applied the two means of controlling the scale of credit and the issuance of currency to cool down the overheated investment and consumption demands formed in 1984. These two 'gates' evoked strong repercussions from various circles and yielded results soon afterwards. For example, originally the credit target of the township and town enterprises in the first quarter of 1984 exceeded the yearly plan. Following the strengthening of control, it fell within the yearly plan by the end of the second quarter. Meanwhile, because measures were adopted, the consumption funds for the whole year were also brought under control."

At that time, some people complained about the strengthening of macroeconomic control. Chen Muhua said that at that time we tried to "cut down" the inflated demands. However, we did not seek "uniformity" but analyzed and handled specific cases in the light of specific circumstances. Our principle was to let "rigidity precede invigoration." After basically bringing the macroeconomy under control, we gradually removed the control over some aspects that should be invigorated. [paragraph continues]

In retrospect, we can say now that after the macroeconomy was strengthened, the financial work for 1985 achieved the expected results and created some favorable conditions for smooth transition into the Seventh 5-Year Plan.

"Flexibility Is Sought Through Security" in the Strengthening of Macroeconomic Control
[subhead]

The narcissus on her desk was emitting a faint fragrance and the afternoon sunlight was illuminating her plump cheeks. She answered this reporter's question: "What principle did the Central Bank employ in 1986 and what effects did you acquire?"

"Basically, we sought flexibility through security," Chen Muhua said. "This means that on the premise of ensuring the steady growth of the economy and stabilizing currency we appropriately relaxed control over the money market and improved macroeconomic control. Premier Zhao Ziyang made three demands for the 1976 financial work: to increase savings, improve service, and perfect macroeconomic control. Bank funds are mainly absorbed from social savings, which become the main source of funds needed for economic development. Our country does not have many savings banks and offices or financial personnel. In order to change this state of affairs, in 1986 we set up the business and postal savings, and the Industrial and Commercial Bank of China and the Agricultural Bank of China recently established nearly 30,000 savings banks and offices. Of these, the business of the Agricultural Bank increased by 200 percent over 1985. It also jointly ran some savings agencies with some enterprises or solely ran some savings agencies for some enterprises. By the end of November, the total amount of urban and rural savings reached 217.86 billion yuan, which includes newly increased savings of 55.6 billion yuan, or an increase of 19.2 billion yuan over the corresponding period of the previous year. According to statistics, the credit funds newly organized by banks and credit agencies amounted to 103.62 billion yuan, an increase of nearly 100 percent over the planned figure at the beginning of the year. On the basis of expanding the sources of credit funds, various types of credit also increased by a big margin. By the end of November, the total of various types of credit amounted to 752.1 billion yuan, an increase of 27.2 percent over the corresponding period in 1985. In 1985 we made a big improvement in the foreign exchange receipt and disbursement, thus ensuring the normal needs of the development of the economy and trade. In short, the work of finance has played its due role in economic development.

Regarding the improvement of services and macroeconomic control, Chen Muhua cited some aspects. In 1986, the financial system called a commendation meeting which was the first and the largest meeting of this kind since the 1950's. The meeting commended a large number of comrades who had made contributions to the financial work, thus playing a role in expediting the financial system to improve services. In the vocational work of finance, attention was paid to bringing into play the functions of banks, increasing credit means, and opening up new varieties of business. We have promoted the business of allowing discount and rediscount on promissory notes and commercial bills, established the business of large-volume fixed-term deposits and mortgage loans, issued bonds, expanded the varieties of insurance and range of services, set up the investment businesses, organized the investment companies, and developed varied non-banking financial organizations. Meanwhile, we opened up short-term funds markets, carried out money-borrowing activities among banks to laterally accommodate funds, and expanded fund-accommodation channels, thus breaking with the rigid situation of having "money become dead upon arriving at its destination." [paragraph continues]

Through the setting up of bill-exchange centers, some cities have reduced the travelling time of funds from 2 to 3 days to a little over 1 day. At present, our country has preliminarily established a financial system which is led by the Central Bank and formed by the state banks and allows the co-existence and division of labor of varied financial institutions.

Chen Muhua continued, saying: "The international relations and businesses of the financial system have also greatly developed. We have joined the International Monetary Fund and African Bank. In March of last year, the Asian Development Bank declared that our country has become one of its regular members. During the last 6 years, 73 world-famous banks from 23 countries and regions set up over 150 representative organs in China. Over the last 3 years, the People's Bank of China approved many banks funded by foreign businessmen and Overseas Chinese to set up branch offices in China's special economic zones and allowed four branch offices of foreign banks which were previously set up in Shanghai to expand their business to normal bank business. Last year we employed or invited hundreds of experts from foreign financial circles to give lectures and hold symposiums or international professional meetings in China. We also organized some delegations and groups and sent scholars and students to study and make inspections in foreign countries. These have enabled us to develop international vocational contacts, enhance our understanding of and friendship with international financial circles and bring a positive influence to our country's financial undertakings and financial structural reform."

To Invigorate the Reform and Actively Raise Funds [subhead]

"What is China's plan for its financial cause in the new year?"

Chen Muhua said that the development of the socialist construction will surely bring about a contradiction between the supply and demand of funds. This is a contradiction during the process of development. We should handle this issue from an overall point of view and further bring into play the role of finance as one of the economic levers. In the new year, the task for the banks to raise and employ funds will be very tough. The general principle is to strive to ensure a basic stability of currency, quicken the pace of financial structural reform, and promote the sustained, stable and coordinated development of the national economy while constantly strengthening and improving the macroeconomic control of finance. Therefore, efforts should be made to control both the amount of currency supply and the overall scale of credits in line with the financial structural reform. In the use of credit funds, we should "seek flexibility through security and handle individual cases on their own merits," according to the procedure of first production and then capital construction and first floating capital credit and then fixed assets credit. The major work is to increase the investment in agriculture; support the invigoration of the large and medium-sized enterprises and give them preferential treatment in granting floating capital credits and technical transformation credits according to plan; support the development of the lateral economic combinations by arranging a special fund; and actively support export and foreign trade. People should pay special attention to making the amount of currency supply suit the economic growth in handling the contradiction between the supply and demand of funds and maintaining appropriate proportional relations between short-term credits and long-term credits. Meanwhile, we should obtain construction funds from the reform and the invigoration of the domestic economy. It is necessary to explore and develop the long-term loan market while continuing to run the short-term loan market well and fill up some of the fund shortage through issuing bonds for enterprises. [paragraph continues]

In short, efforts should be made to divert the unbudgeted funds to the key construction projects through the loan markets. Of course, we should conduct this work with strong leadership and careful planning and consider the objective possibility.

Chen Muhua continued to point out that while resolving the fund issues, leaders at all levels as well as the various enterprises, including the financial organizations, should all renew their concepts. As the money of banks is mainly from the public and should be returned, every sector should change the previous wrong concept that "people can obtain their needed funds from the upper levels but do not want to return it" and so on. Enterprises should also undertake the risk of contracting loans, and the loans extended by banks to enterprises should also gradually change from credit loans to mortgage loans. The Central Bank should separate the plans of specialized banks from their funds; and the specialized banks should cater to the society in vigorously organizing deposits, extending more credits if there are more deposits, tapping the potential of funds, and shortening the turnover period of funds. In order to urge the banks to improve their services, in 1987 all the banks can hold competitions and, on the premise of basically upholding a division of labor, allow all the specialized banks to intersect their businesses. In the future, banks can choose their clients, clients can choose their banks, and banks will not monopolize the supply of funds. Therefore, it is advantageous to improve the operation and management of banks and enterprises and to increase their effectiveness. While improving their services, banks should also participate in the operational activities of enterprises and employ financial means to help enterprises improve their management.

To Actively and Safely Speed Up the Financial Reform [subhead]

At the request of the reporter, Chen Muhua talked further about some of the situations and her opinions on the financial structural reform. She said that to carry out the financial structural reform we do not have any ready-made pattern to copy and we cannot possibly be the "refurbished version" of any Western country. As China's territory is so vast, the economic development of its coastal and interior areas differs. Feasible methods in one area might not suit the needs of all the other areas in this country of 9.6 million square kilometers. Therefore, first, China's financial reform must suit the actual conditions in China and possess Chinese characteristics. Second, the financial structural reform in every part of China must be realistic and be carried on in line with the local conditions and should not be stereotyped and follow the same pattern. Third, the financial structural reform in China should be hurried, but must be carried out safely. While conceiving the plans for the structural reform, we should open our minds and broaden our horizons. Nevertheless, we must do the specific work in a down-to-earth manner and be prudent and cautious.

At present, the financial structural reform in China is being carried out at two different levels: First, reform in the country as a whole; and second, reform in experimental cities. Generally speaking, the beginning is good, the direction is correct, and the effectiveness is obvious. At present, we have already worked out a general plan for the financial structural reform as well as the specific measures for implementation in 1987. The central work of the reform in 1987 is: First, to continue to open up and develop the financial market and appropriately develop the long-term fund market with strong leadership while running the short-term fund market well; and second, to increase the pace of changing the specialized banks into enterprises and to integrate the economic effectiveness of banks with the economic effectiveness of their clients as well as the economic effectiveness of the society.

Chen Muhua thinks that regarding the current financial structural reform, two ideological tendencies should be rectified: First, it is believed that the financial structural reform "has gone too far" and surpassed the other economic structural reforms; and second, it is believed that the current financial structural reform should not be counted as a reform. I do not think that either of these viewpoints is comprehensive. As the financial structure reform is an objective need, it must be carried out in coordination with the other reforms to promote each other. We are now arranging the work of the financial structural reform in the light of the objective conditions.

Over the last 2 years, Chen Muhua often went to conduct investigations and inspections in different localities to get an understanding of the frontline of the financial work. In 1986 alone, she successively went to inspect Zhejiang, Shaanxi, Fujian, Wuhan, and so on, visiting over 100 experimental units and attending over 20 discussion meetings, thus mastering a large number of firsthand materials that are very important to the decisionmaking of the financial work. Therefore, with deep understanding, Chen Muhua expressed that the decisionmaking departments should all the more go deep into the realities, so as to work out realistic policies. This is what I shall keep doing in the future.

BAN YUE TAN ON 1987 ECONOMIC STRUCTURAL REFORM

HK020913 Beijing BAN YUE TAN in Chinese No 1, 10 Jan 87 pp 22-24

[Article by BAN YUE TAN Economic Editor's Office: "A New Step Should Be Taken in Carrying Out Reform This Year"]

[Text] The year 1987 has arrived. How should the economic structural reform be carried out in the new year? This is a problem that people are very concerned about. While looking forward to the new year, let us briefly review the results of the reforms in 1986.

In the past year, we steadily carried out the economic structural reform in implementing the eight-character principle of "consolidation, digestion, supplementation, and improvement" and focusing on invigorating enterprises, and have achieved greater results than expected. To summarize, the results are as follows: Lateral economic ties have developed rapidly; some enterprises have made bold explorations in the form of ownership and method of operation; the financial structural reform has started; the expansion of enterprises' power and reform of the leadership structure in enterprises have been further supplemented and improved; and gratifying results have also been achieved in reform of the labor system. It can thus be said that the results achieved in the reforms of 1986 have strengthened people's confidence in taking a new step in this year's reforms.

What new step will be taken in this year's economic structural reform? What will be stressed in the reform?

While inspecting Guangxi's work at the end of last year, Premier Zhao Ziyang pointed out that invigorating enterprises and giving more vitality to large and medium-sized enterprises is the focus of this year's economic structural reform. The stress should be laid on seriously solving the problem of the operational mechanism of the enterprises owned by the whole people according to the principle of separating ownership right from the right of operation and on implementing in an all-round way the responsibility, rights, and interests of enterprise operators and enterprises so as to give sufficient decisionmaking power to the enterprises owned by the whole people in their operations and to invigorate large and medium-sized enterprises.

In the past, we paid much attention to two problems in carrying out reforms: 1) The problem of the state transferring interests and delegating powers to enterprises. This is correct without doubt, and we shall continue this in the future; and 2) the problem of how to create an objective environment for enterprises in turning losses into profits. But we failed to pay serious attention to reform of the operation mechanism within enterprises. If we pay attention merely to enterprises' interests, to the state transferring interests and delegating powers, and to external market adjustment, but fail to reform the operational mechanism within the enterprises and fail to increase the enterprises' ability to meet emergencies, then the enterprises cannot be invigorated and their vitality will be limited.

Reforming the operational mechanism within enterprises means separating ownership from the right of operation, the essence of which is to let enterprise operators genuinely implement their responsibility, power, and interests so that the operators can have full power in operation and the enterprises can move toward being independent commodity producers.

Some state-run small industrial enterprises have made valuable explorations in separating ownership right from the right of operation over the past 2 years. Their explorations are mainly in the following three fields: 1) They have effected the practice of leasing out, contracting for, and transferring enterprises. Experience has proved that these practices have made it possible for managers to gain all powers that they should have in operations, to increase operators' economic results and social benefits. 2) They have put into trial implementation the assets operation responsibility system. The so-called assets operation responsibility system means making a social assessment of an enterprise's material and nonmaterial assets and then setting value-increase targets within a time limit. The operators, who are selectively employed on their merits, will be responsible for the value-increase target. Those who overfulfill the targets will be rewarded and those who fail to attain the targets will be punished. Thus, the operators will not ignore long-term development merely for the immediate interests of individuals and small groups. Instead, they will do their best to expand reproduction to increase the reserve strength of their enterprises. Meanwhile, the enterprises will have the full power to use their assets. 3) The shareholding system economy is now in bud. There are now about 6,000 to 7,000 enterprises in the country carrying out the pilot project for the shareholding system, involving a total amount of more than 6 billion yuan raised by them. In regard to the management system, these shareholding enterprises have generally instituted the manager responsibility system under the leadership of the board of directors. The directors are elected by all shareholders. The shareholders jointly bear the risk of the business and share losses and profits. The appearance of the shareholding system has provided a practical way of separating ownership right from the right of operation.

Of course, what specific forms and methods the reform of the operational mechanism of enterprises should take will have to be explored in practice according to specific conditions of different enterprises. It could be the form of leasing out and contracting for enterprises, or the form of the shareholding system, or the form of the assets operation responsibility system.

Focusing on invigorating enterprises and on giving more vitality to large and medium-sized enterprises in particular, while laying stress on separating ownership right from the right of operation, we must continue to deepen the reform in the following fields:

First, we must make efforts in giving decisionmaking power to enterprises. It must be admitted that the State Council and the departments concerned have issued many documents on invigorating enterprises over the past few years. [paragraph continues]

Some managers say: "If all these documents had been properly carried out, then our enterprises would have long been invigorated." A prominent problem is that many of these policies and regulations are still on paper, and enterprises have not genuinely obtained the rights they should have. Therefore, in the new year it is necessary to firmly grasp the implementation of the issued regulations. Leaders at all levels must change their idea, namely, that the formulation of a correct document means the solving of a problem. In fact, the implementation of correct regulations at the grass roots needs much painstaking and delicate work. In the new year, efforts should be made in every possible way to delegate all powers to enterprises which they should have.

Second, it is necessary to speed up and perfect reform of the leadership system in enterprises. The central leadership has promulgated "three regulations" on reform of the leadership system in enterprises owned by the whole people and we must institute in an all-round way the manager responsibility system. To promote this reform, the key lies in correctly understanding and safeguarding the managers' position, that is, managers are the representatives of the legal persons constituted by the enterprises and must assume full responsibility for the enterprises. Managers occupy a central position and play a central role in enterprises. Meanwhile, managers must correctly handle the relationship between party organizations and workers' congresses in enterprises, respect workers' role as their own masters, and bring into full play the workers' role as the masters of their own affairs.

Third, it is necessary to encourage the development of enterprise groups. The appearance of enterprise groups is beneficial to the readjustment of the production structure and the organizational structure of enterprises; to the turning of separate strong points into a combined strong point; to the reform of the planning system and the economic management structure; to the formation of unified socialist markets; to the mutual infiltration among various kinds of ownership; and to the creation of conditions for promoting the shareholding system.

To invigorate enterprises, it is also necessary to create better external conditions. We must speed up reform of the financial structure; gradually set up the means of production market and short-term funds market; accordingly carry out reforms of the planning system, the foreign trade system, the goods circulation system, and the labor and wage system; and take due and flexible measures in tax collection and mandatory planning.

We had a good beginning in 1986. To achieve better results this year than in the last, the people throughout the country will have to make joint efforts. If we can take a solid step in invigorating large and medium-sized enterprises this year, it will undoubtedly make good preparations for future reform of the economic structure and fulfillment of the Seventh 5-Year Plan.

GUANGMING RIBAO ON REFORM OF STATE-RUN ENTERPRISES

HK021401 Beijing GUANGMING RIBAO in Chinese 17 Jan 87 p 3

[Article by Chen Zhao [7115 2507], "Some Views on the Reform of the Ownership of State-Owned Enterprises"]

[Text] The fundamental reason why the issue concerning ownership has been put forth as a crucial one in the reform of our country's economic structure is because the state ownership of properties has failed to exert an economic binding force on enterprise management. [paragraph continues]

Therefore, the basic purpose of the reform of ownership is to intensify the binding role of property relations upon enterprises' economic behavior, and thus provide a compatible microeconomic environment for the efficient operation of the commodity economy.

In light of the present circumstances, however, the basic idea and procedure of the reform of ownership have deviated to a certain extent from the goal of the reform.

In the reform of the ownership of state-owned enterprises, we have concentrated our attention on the development of closer ties between the staff and the properties of the enterprises, in the hope of increasing the binding force of property relations, improving the enterprise's behavior, and preparing the conditions for the introduction of a system under which "the enterprise assumes full responsibility for profits and losses." For example, some medium and small state-owned enterprises have been turned into joint-stock companies whose assets are jointly owned by the state, the enterprise, and individual staff members holding shares. These measures are certainly necessary. But here two basic issues have been neglected. First, whether an enterprise is sensitive to its profits, costs, and risk, whether it can react promptly to changes in the market, and whether it is efficiently operated mainly depend on whether the economic behavior of the enterprise's executives (plant director or managers) is rational, while other ordinary staff members play only a minor role in this regard. If the management of the enterprise is not closely linked with the executives' immediate interests, then the target of intensifying the enterprise's economic self-binding force and improving its performance can never be fulfilled, no matter how close the link is between the staff and the enterprise's properties. Second, the enterprise's profits and losses should also be linked with the immediate interests of enterprise operators since the performance of the enterprise is mainly conditional on the enterprise executives' economic behavior. However, if in the reform we place the stress on strengthening the link between staff members and workers on the one hand and the enterprise's properties on the other hand, then the executives will lose their incentive and feel no pressure for better performance due to the imbalance among power, responsibility, and interests, and improper enterprise behavior will still be difficult to avoid.

Based on the above analysis, it seems that in the reform of ownership the "focus of attention" should not be placed on strengthening the economic link between ordinary staff members and the properties of the enterprise. As a fundamental measure, the binding role of the property relations on the enterprise executives' behavior should be intensified instead, so that the fate of the enterprise will be closely linked with entrepreneurs' immediate interests and some 'entrepreneurs' with a standardized economic behavioral pattern will emerge. Three optional schemes are available in this orientation:

1. The property contracting system: The kernel of the property contracting system is that enterprise executives are to contract for the management of enterprises' assets on the premise that the legal ownership of state-owned enterprises remains unchanged. The principal functions of the property contracting system are as follows: 1) Reliable executives of state-owned enterprises are designated in the form of contracting out of properties. 2) Enterprise executives' initiative, their incentive for seeking profits, and their sense of risk are integrated with national interests through the link between the safety and the profit-making potential of the contracted properties on the one hand and the immediate interests of entrepreneurs on the other hand.

[paragraph continues]

3) To be sure, losses in assets of an individual enterprise are negligible to the state, but they are of great significance to the personal interests of those who operate the enterprise. Therefore it is necessary to intensify the binding role of property relations on entrepreneurs and to lay down a solid economic foundation for the appropriate separation between the ownership and management of the enterprise.

2. The contracting system for the interests of the shareholders: For those enterprises which have already become joint-stock companies, enterprise executives are to contract for promoting the interests of shareholders (the state, the enterprise, and individual staff members) and to guarantee reasonable profits (dividends, bonuses) arising from their shares. On the premise that the reasonable profits arising from shares are guaranteed, the income of the contractors can be linked with the total amount of dividends. In case the enterprise suffers losses or makes little profit, and shareholders receive no dividends, those who operate the enterprise will have to pay the shareholders an amount of compensation equal to a fixed proportion of the shares laid down in the contract.

The functions of the contracting system for the interests of shareholders are basically similar to those of the property contracting system. But there are also some differences between them: 1) The contractors bear the responsibility for the outcome of the use of assets through the guarantee of profits arising from shares. 2) The payment of compensation depends on the receipt of dividends. This will further intensify the binding role of property relations on enterprise operators, because shareholders may receive no dividends even if the enterprise suffers no loss or makes little profit.

3. The system of shareholders' involvement: The state and the enterprise leadership (individuals or a group of entrepreneurs) are to jointly own the enterprise. With regard to the distribution of shares, the proportion of shares held by individuals is to be fixed by the state and cannot be raised in the wake of the increase in the enterprise's assets. In case of replacement of enterprise operators, an assignment of shares should be effected simultaneously according to a fixed procedure. Enterprises practicing the system of shareholders' involvement follow the same procedures as those for typical joint-stock companies in handling profits and losses and in distributing profits. The distinctive nature of the system of shareholders' involvement is the resumption of the joint state-private ownership. But this system is different from the joint state-private ownership system practiced in the initial period after the founding of the PRC in two respects: 1) Our purpose in practicing the joint state-private ownership in the past was to change the private ownership into public ownership, while the system of shareholders' involvement is aimed at intensifying the binding role of property relations on enterprises through shareholders' involvement on the premise that the vast majority of shares are held by the state. 2) Individuals' shares are not lifelong shares. They will be assigned to new holders when old entrepreneurs are replaced by new ones. Therefore, in substance, entrepreneurs' shares are only a kind of certificate of responsibility. Since the policy of "letting some people get rich first" will be practiced for a long time, the system of shareholders' involvement will possibly develop quite rapidly in the future.

Due to the implementation of the property contracting system, the contracting system for the interests of shareholders, and the system of shareholders' involvement, some entrepreneurs' income may increase quite sharply. In view of the principle of social fairness, the levy of an income tax on individuals is necessary. Such a policy will prevent an excessively wide gap in income between different individuals.

REGULATIONS FOR STATE-OWNED ENTERPRISES RELEASED

OW240343 Beijing XINHUA Domestic Service in Chinese 0243 GMT 11 Jan 87

[Text] Beijing, 11 Jan (XINHUA) — "Work Regulations for Grass-roots Organizations of the CPC in State-Owned Industrial Enterprises." (15 September 1986)

Chapter I: General Principles

Article 1: These regulations are especially formulated for the purposes of meeting the requirements of the structural reform of leading bodies in state-owned industrial enterprises; improving and strengthening the party's leadership in enterprises; bringing into play the party organizations' role of guarantee and supervision; and promoting the development of socialist enterprises.

Article 2: Party organs in enterprises must uphold the four cardinal principles; serve the fulfillment of the party's general tasks and goals in the new period; arrange work around the central tasks of production, management, and structural reform of the economic system; build up socialist material and spiritual civilization; ensure implementation of the plant director responsibility system; and promote fulfillment of production, management, and other tasks.

Article 3: The grass-roots party committee (including the general party branch committee and the party branch committee in enterprises where a grass-roots party committee has not been established, which will all be abbreviated to party committee hereinafter) exercises ideological and political leadership over the enterprises; that is, guaranteeing and supervising the implementation of various principles and policies of the party and state, supporting the mass organizations in promoting work independently and in a responsible manner, doing earnest ideological and political work, and bringing into play the role of the party organization as a fighting bastion and that of the party members as vanguards and models, thereby ensuring that the enterprises advance along the socialist road.

Article 4: Party committees in enterprises must actively support plant directors in exercising their functions and powers of making management decisions and directing production activities, cooperate with enterprises' administrative organs in bringing the roles of trade unions and CYL organs into play, and unite closely and make concerted efforts to ensure the success of socialist enterprises.

Chapter II: Enterprise Party Committees

Article 5: Enterprise party committees are elected and reelected periodically in accordance with stipulations in the party Constitution. The party committee is responsible to, and should report their work at, plenary sessions and congresses of party members. It must earnestly implement resolutions adopted at plenary sessions and congresses of party members.

Article 6: Party committees should be composed of party members who adhere to the correct political orientation; earnestly implement the party's line, principles, and policies; wholeheartedly serve the people and forge close ties with the masses; whose party spirit is strong; whose work style is upright; and who are in their prime and know production and management well.

The party committee secretary must be relatively well versed in theory and policies, a good organizer and leader, reform-minded, experienced in party work, and good at doing ideological and political work in company with other comrades.

Article 7: In general, the party committee secretary of an enterprise does not concurrently serve as plant director. But, in a small enterprise, the party committee secretary may also serve as the plant director. An enterprise party committee will set up capable work agencies and establish a clearly defined work and responsibility system.

Article 8: The principal tasks of an enterprise party committee are:

1. Ensure and supervise implementation of party and state principles and policies;
2. Do a good job in the enterprise's ideological and organizational construction, and improve its work style;
3. Support the plant director in fulfilling the goals set for the latter's term of office and in exercising unified direction of production and management;
4. Do good ideological and political work; and
5. Strengthen ideological and organizational leadership over the mass organizations and do mass work well.

Article 9: An enterprise party committee must comply with the party's line and policy on cadres in carrying out education, training, evaluation, and supervision over the enterprise's cadres at all levels. Regarding personnel plans proposed by the plant director on candidates for deputy plant director(s), responsible persons of economic and technical departments, and middle-level administrative cadres, the enterprise party committee must actively offer views and suggestions.

Article 10: The party committee should implement the principles of democratic centralism, bring democracy into full play within the party, establish and promote a healthy political life, and strengthen the spirit of organization and discipline.

Article 11: The party committee secretary should take charge of the committee's daily work, supervise fulfillment of resolutions adopted by the party committee, check progress, set an example in implementing democratic centralism and observing party discipline, do a good job in building up the committee's leading body, and visit grass-roots units to promptly diagnose and solve problems.

Article 12: In improving methods and styles of work, the party committee must emphasize the following:

1. Persist in reform, change ideas, and pioneer ways to bring into play the committee's guaranteeing and supervisory role;
2. Dare to speak the truth, adhere to principle, do more down-to-earth work, and stress real results;
3. Go deep into the realities of life, carry out investigations and study, continually try to understand new situations, solve new problems, and sum up and spread new experiences; and
4. Carry forward the party's fine traditions and work style, work hard, forge ties with the masses, set examples, draw a clear line between office duties and private interests, and consciously resist all unhealthy tendencies.

Article 13: Under the leadership of the party committee, workshop party organs should seriously implement the party's line and policy, correctly implement the party committee's resolutions and the plant's directives, strengthen education and management of party members, improve leadership over the workshop's trade union and CYL organizations, do good ideological and political work, and strengthen unity to bring into full play the party committee's role as a guarantor and supervisor.

Plant sectional and office party organizations must carry out education and supervision over party members, do good ideological and political work, and ensure fulfillment of various tasks.

Article 14: An enterprise party committee must commend and reward party members making outstanding contributions at work, criticize party members neglecting their duties or causing losses to the enterprise, and strictly deal with party members violating party discipline.

Chapter III: Party Committee's Guarantee and Supervision

Article 15: Guarantee and supervision are important duties for an enterprise party committee. The party committee must take a positive attitude to ensure that it has played a vital role as guarantor and supervisor in all the enterprise's economic activities. The party committee must provide positive support and guarantee implementation of the plant director's decisions on major production and management issues. When a party committee holds different views on a plant director's decision, they should be promptly made known to the plant director and, where necessary, reported to higher authorities or a party organ.

Article 16: Principal matters to be guaranteed and supervised are:

1. The socialist orientation of an enterprise's production and management;
2. That the enterprise's staffers and workers fully enjoy their democratic rights;
3. That the enterprise has correctly handled relations between the interests of the state, the enterprise, and the individual;
4. That the enterprise has abided by the law and discipline, and safeguarded state interests and the enterprise's legal rights and interests; and
5. That the enterprise and plant director have correctly implemented various party principles and policies.

Article 17: The principal methods for guarantee and supervision are:

1. To organize party members and cadres to seriously study party and state principles, policies, laws, and regulations and bring into play the party members' role as vanguards and models;
2. To periodically hear the plant director's work report and offer views and suggestions;
3. To strengthen discipline inspection work;

4. To improve the party's organizational life system and promote criticism and self-criticism; and
5. To exercise various forms of supervision over cadres.

Chapter IV: Education and Management of Party Members

Article 18: An enterprise party committee should carry out education about Marxism-Leninism-Mao Zedong Thought; education about the party line, principles, and policy and the current situation and mission; as well as education about basic knowledge about the party, the party's ideals, and party discipline among members. It should educate party members to carry forward the spirit of devoting themselves to the communist cause, to wholeheartedly serving the people, to subordinating their personal interests to those of the people, to being the first to bear hardships and the last to enjoy comforts, and to bringing into play their role as vanguards and models.

Article 19: The party organization should make constant efforts to acquaint itself with party members' ideology and help them solve ideological problems and practical difficulties.

Party members should regularly report to the party organization on their ideology and work, complete ideological and political work, and work hard to fulfill the tasks assigned them by the party organization.

Article 20: Party members should be recruited. The party organization should earnestly train and test activists, stick to qualifications for membership, and follow the procedure provided in the party Constitution to apply for membership to ensure the quality of new party members. The party organization should enhance its efforts to educate and observe probationary members and discuss periodically whether they are qualified for transfer to full membership.

Article 21: Regular activities of the party organization should be enhanced. In addition to regular party activities, members of the party committee should hold a meeting on democratic life once every 6 months. A party branch should hold a general membership meeting and a meeting on organizational life to conduct education in party lessons once every 3 months. Leading cadres with party membership should take the lead in participating in party activities in their capacity as ordinary party members.

Article 22: Earnest efforts should be made to improve party style. Every party member, cadres with party membership in particular, should consciously observe and ensure their words and deeds are within the standards for party members, and resolutely combat any violation of party discipline and state laws. The party committee should enhance leadership over discipline inspection work, strictly enforce discipline, defend the seriousness of party discipline, educate party members to abide by discipline and laws on a regular basis, and assign those comrades upholding party principles and daring to combat unhealthy tendencies to take charge of discipline inspection work. Party members violating discipline must be promptly dealt with.

Chapter V: Ideological and Political Work

Article 23: An enterprise's ideological and political work must serve the party's general tasks and goals. It should be carried out in close coordination with economic work to fully mobilize the initiative, enthusiasm, and creativity of the vast number of workers, and to produce a contingent of workers having ideals, moral integrity, general education, and a sense of discipline.

Article 24: The fundamental tasks of ideological and political work are to publicize the four cardinal principles and the party's principles and policies; conduct ideological education about patriotism, collectivism, socialism, and communism among the vast number of workers; educate them about ideals, discipline, democracy, legality, and the revolutionary tradition of the working class; and oppose and resist the corrosive influence of decadent ideology, constantly improving the ideological and political quality of the workers to meet the requirements of the four modernizations.

Article 25: The party's fine tradition of ideological and political work must be carried forward and our work must be improved by constantly reviewing the experience of doing work under the new situation. It is necessary to persist in the principle of stressing persuasion and education. Ideological and political work should be carried out in connection with caring for the people's livelihood and helping them solve practical problems. More attention should be paid to ideological and political work in production and operations. In doing ideological and political work, it is necessary to stress commendation and encouragement of the advanced and help for the backward. It is necessary to employ lively and vigorous methods, including sponsorship of educational and useful activities, to enhance the effectiveness of ideological and political work.

Article 26: The party committee should pay attention to strengthening the ranks of political workers and bringing into play the role of cadres in charge of political work. It should take the selection and training of such cadres seriously and care for their ideology, work, study, and livelihood. Administrative and political workers should be treated equally, without discrimination, regarding wages and other questions.

Chapter VI: The Party Committee, the Workers' Congress, and Mass Organizations

Article 27: The party committee exercises ideological and political leadership over the workers' congress, and guarantees that the congress will exercise the powers vested in it. It publicizes to the workers' congress the party's line, principles, and policies and, through the vanguard and exemplary role of party members and workers' representatives, turns the party principles and policies into the conscious action of the masses. It educates the workers to constantly enhance their sense of responsibility as masters of their own affairs. It supports and guides workers' representatives to correctly exercise their rights and fulfill their obligations. The party committee should listen to the masses' opinions through the workers' congress to constantly improve the party's work style.

Article 28: The party committee should enhance its ideological and political leadership over mass organizations, discuss and study major problems in the work of mass organizations at regular intervals, and support them in carrying out their work independently and in a responsible manner, to give full play to their functions.

Chapter VII: Supplementary Provisions

Article 29: These regulations are, in principle, applicable to all state-owned communications, transportation, postal and telecommunications, geological, construction, agricultural and forestry, water conservation, and other enterprises.

Article 30: The Organizational Department of the CPC Central Committee is responsible for interpreting these regulations.

Article 31: These regulations go into effect on 1 October 1986.

NATIONAL DEFENSE PROJECT SYSTEM NEARS COMPLETION

OWO20547 Beijing XINHUA Domestic Service in Chinese 0041 GMT 1 Feb 87

[By reporter Xu Jingyao]

[Text] Beijing, 1 Feb (XINHUA) -- While modernizing weapons and equipment, China has already built an almost complete system of national defense projects, effectively protecting the tranquility and four modernizations drive of the motherland.

As far back as 4,000 years ago, China relied on the building of defense projects as the key to national defense. The famous Great Wall was the most grandiose and completely equipped defense project in the age of cold weapons. After many years of unrelenting effort since the onset of the nuclear age, China has built a system of national defense projects which are reasonably distributed, on an appropriate scale, of a complete variety, equipped with complementary facilities, and reasonably strong in defense capability. This includes a system of strategic command projects, ensuring automated combat command operations with a survival capability, a system ensuring a strategic capability to counter a nuclear strike, and a system of strategic air and naval bases. Civil air defense projects designed to protect the country's political, economic, and industrial centers, communications hubs, and people's lives, have also been developed into a nationwide system.

This reporter recently visited a command project. The project is equipped with complete telecommunications, water drainage, independent power supply, and other facilities. When it is cut off from the outside world for a sustained period, its personnel can survive and carry out stable and uninterrupted command operations. This reporter was told by staff members there that this project has the capacity to protect itself from nuclear blasts, conventional bombs, and chemical toxicants.

It is understood that China has already obtained much valuable data in its research into protection of its national defense projects against nuclear, conventional, chemical, and biological weapons.

TA KUNG PAO ON PROGRESS OF AVIATION INDUSTRY

HK310244 Hong Kong TA KUNG PAO in Chinese 28 Jan 87 p 3

[Article by reporter Kung Shuang-yin (7255 7175 0603): "Aviation Industry Ranks Among the World's Most Advanced"]

[Text] Beijing, 27 Jan -- A Scale Second Only to the United States and Soviet Union [subhead]

In the short span of some 30 years, China's aviation industry has come to rank among the world's most advanced. At present, China's aviation industry ranks second only to the United States and Soviet Union, thus ranking third in the world. This should occupy a prominent page in the world history of aviation.

The Central Military Commission set up the Aviation Industry Administration Committee in April 1951. At the same time, the Aviation Industry Bureau was set up in the Ministry of Heavy Industry.

This symbolized the birth of New China's aviation industry. The year 1954 saw the successful trial production of the Chujiao aviation industry. The year 1954 saw the successful trial production of the Chujiao-5 Trainer [0443 2403 — primary trainer], the year 1956 saw the successful trial production of the first China-made jet combat plane, the Jian-5 [3005 — attack]. The year 1957 saw the multipurpose plane Yun-5 [6663 — transportation] in operation; in 1958, the Chujiao-6 of China's own design soared up into the sky; and in 1959, the Jian-6, the China-made supersonic combat plane, shot up into the vast sky. Now, China's aviation industry has considerable scope and a complete system of scientific research, production, and education has taken shape. Its products include combat planes, bombers, attack planes, helicopters, transportation planes, reconnaissance planes, trainers, multipurpose planes, unmanned planes, superlight planes, and various types of tactical missiles.

Eye-catching was the Jian 8-II, which made its debut at the Farnborough World Aviation Fair in the United Kingdom in September 1986. Such a combat plane, which is characterized by its single seat, twin engines, good performance at various altitudes and speed, is capable of intercepting invading enemy planes at low altitudes and high speed or at high altitudes and high speed and of launching air-to-ground weapons, with the capability of attacking ground targets. Hong 6-J, [6575 — bomber], the first generation of bombers conveying aircraft-boring carrier missiles developed by China itself, has already passed its trial flight and is beginning to arm the Chinese Navy. This type of bomber is equipped with up-dated radar, an automatic pilot system, and a sighting system. As disclosed by China's Aviation Industry Minister Mo Wenxiang at a conference for leading cadres of the Aviation Industry Ministry convened in mid-January, it has been decided to make continuous efforts to grasp well the scientific research and production of airplanes for military purposes and to strive to provide the Air Force with a batch of new equipment and to fill some blanks around the year 2000.

"Yun-10" Has a Flying Record of 160 Hours [subhead]

In recent years, the strategic thinking of China's aviation industry has changed along with the changes in the estimation of the world situation. In October 1981, Deng Xiaoping proposed that we must consider manufacturing domestic airliners. Two months later, he stressed again that from now on, domestic airliners should be made in China. Over a long time in the past, China's aviation industry attached importance to war preparations while investment in the development of civil airplanes was almost nil. This accounts for the slow development of civil airplanes. Since Deng Xiaoping gave these instructions, the Aviation Industry Ministry has given attention to the combination of military and civil needs and switched to making the development of civil planes a priority. This has already had a very good beginning. In 1986, the proportion of output value of products for civil purposes in the aviation industry rose to 60 percent from the 40 percent of 1985, exceeding the output value of products for military purposes for the first time in history. In 1986, a new stride was taken in the development, production, marketing, and service in civil planes and industrial combustion turbine-engines. In 1986, 15 "Yun-7" transport planes were formally put in operation on domestic airlines and the "Yun-12" began to enter the world market, with 6 already exported. It will take little effort to transform a "Yun-8" into a trunk-line airliner with 100 seats. The "Yun-10" of China's own design already has a flying record of over 160 hours.

Aside from relying on its own strength to develop civil planes, China has also actively imported foreign capital and advanced technology to upgrade its technological level. China is cooperating with the McDonnell Douglas Corporation in the production and assembly of MD-82 airliners, the first of which made its maiden flight in July 1986. Besides, 18 Chinese engineers have been sent to the McDonnell Douglas Corporation to participate in the design of a new airliner, the MD-91, and to explore the new aviation technology that will merge in the 1990's. While China is cooperating with the United States in improving China's "Jian-8" combat planes, the aviation circles of the two countries have organized a technological group consisting of more than 70 engineers to improve the "Yun-100" airliner.

It Is Necessary To Make a New Breakthrough in the Export of Airplanes [subhead]

The Aviation Industry Ministry will make exports a strategic priority in 1987. At present, the ministry has established trade and cooperative relations with 55 countries and regions in the world. In 1987, the ministry will continue to expand the export of aviation products. On the basis of the export of airplanes with all types of combustion turbine-engines, it will improve and modify exported models, and develop new planes for export according to the requirements of its clients' subsequent orders. Particularly, it will make use of the advantage of the price of its planes, regard the "Yun-12" transport planes a breakthrough in export, and promote the marketing of transport planes and planes for special purposes.

According to He Wenzhi, vice minister of the Aviation Industry Ministry, speaking in a recent interview with a journalist, China's principle of developing civil planes is to base the effort on the needs of China, to make full use of reform and opening up to develop cooperation in national defense, developing trunk-line airliners as the key, and promote coordinated development of civil planes for feeder routes, helicopters, and airplanes for special purposes. Because we are comparatively short of capital, we will adopt compensation trade for a long time, and import technology by covering the import expenditures by exports. We should always pay close attention to the world market as well as the domestic market. If our civil planes reach a certain quality from the beginning, it will be possible to sell them in the international market as well as at home.

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FUJIAN JOURNAL OPPOSES BOURGEOIS LIBERALIZATION

OWO21225 Fuzhou Fujian Provincial Service in Mandarin 1100 GMT 1 Feb 87

[Text] The No 2 issue this year of FUJIAN ZHIBU SHENGHUO [FUJIAN PARTY BRANCH LIFE] published today carried a commentator's article entitled: Communist Party Members Must Resolutely Struggle Against Bourgeois Liberalization. The article points out: Bourgeois liberalization existed in the past. It exists now and will exist in the future. We must be prepared to struggle against bourgeois liberalization over a protracted period. Party organizations at all levels must firmly safeguard the four cardinal principles, oppose bourgeois liberalization with a clear-cut stand, and shoulder the sacred duty of safeguarding the party Constitution. Under no circumstances should they allow those who violate the party's political discipline to do whatever they want inside and outside the party.

The FUJIAN ZHIBU SHENGHUO commentator's article says: At the present stage, Communist Party members must demonstrate their party spirit by unswervingly upholding the four cardinal principles and consciously identifying themselves with the party Central Committee ideologically and politically. Therefore, each Communist Party member must strictly observe the party Constitution, struggle against words or deeds that run counter to the party Constitution, and stand firmly and clearly in the forefront of the struggle against bourgeois liberalization. We must not only refrain from supporting bourgeois liberalization, but also earnestly help and arouse comrades around us to firmly oppose and resist bourgeois liberalization. Party members who have sons, daughters, relatives, or friends attending institutions of higher learning in particular must take advantage of the winter vacation to do a good job in strengthening ideological education among them.

FUJIAN GOVERNOR'S SPRING FESTIVAL GREETINGS

OWO10130 Fuzhou Fujian Provincial Service in Mandarin 1100 GMT 28 Jan 87

[Recorded radio-television speech by Fujian Governor Hu Ping]

[Excerpts] Comrades and friends: As we ring out the year of the tiger, we usher in the one of the rabbit. On behalf of the Fujian provincial people's government, I extend cordial Spring Festival greetings and profound gratitude to comrades who stand fast at their posts during the festival; warm greetings to workers, peasants, intellectuals, cadres, and people of all walks of life, as well as all PLA commander and fighters stationed in Fujian, law-enforcement officers and police, retired comrades, and youngsters who symbolize China's future; and sincere season's greetings to compatriots in Taiwan, Hong Kong, and Macao, Chinese nationals residing abroad, and foreign experts and friends who are assisting the construction in Fujian.

Last year was a lively and dynamic year in Fujian. On the basis of steady, sustained, and balanced growth, we made further advances in the economy. The total industrial and agricultural output value rose by 8.6 percent. We also scored remarkable progress in foreign trade, with exports overfulfilling the state target by 50.9 percent and hitting an all-time record high. Thanks to the preferential measures to spur foreign investment, we attracted more funds from abroad, which gave a strong impetus to production and construction. [passage omitted]

All these victories were won by the people throughout the province, guided by the party's correct principles and policies and working diligently with one heart and one mind in a pioneering spirit.

This year is the second year of the Seventh 5-Year Plan, a crucial year for its smooth fulfillment. In the coming new year, we should study the communique on the enlarged meeting of the Political Bureau of the CPC Central Committee on 16 January 1987, and continue to implement the line, principles, and domestic and foreign policies formulated by the party since the 3d Plenary Session of the 11th CPC Central Committee. We should continue to uphold the four cardinal principles and oppose bourgeois liberalization. It is necessary to continue to concentrate efforts to develop social productive forces for economic construction. It is also necessary to continue to carry out the comprehensive reform and the policies of opening to the outside world and invigorating the domestic economy. We should also continue to develop socialist democracy and improve the socialist legal system in order to consolidate and expand the patriotic united front and mobilize the people across Fujian to unite as one and work hard to accomplish the assignments in all fields this year. [passage omitted]

We must focus our attention on two major tasks: First, it is necessary to launch a struggle against bourgeois liberalization. Opposing bourgeois liberalization and upholding the four cardinal principles is part and parcel of the reform and open policy, and is essential for building socialism with Chinese characteristics. It is necessary to take a clearcut stand and effective measures to carry out the struggle against bourgeois liberalization in the political and ideological spheres. At the same time, we should implement the economic policies adopted by the party since the 3d Plenary Session of the 11th CPC Central Committee. We should also respect knowledge and talented people, and ensure that the policy will not change, that there will be a continuous flow of talented people, and the economy will remain stable, thereby safeguarding the political stability and unity and sustained and steady economic growth in Fujian. Second, it is necessary to build our economy on a long-term solid basis by reducing the scale of capital construction. As far as this task is concerned, it is necessary to once again clarify the guiding principle for the economic work, that is, while steadily developing the economy, it is necessary to overcome confusion and the excessively fast pace of development and large investment scale, and properly handle the contradictions between total demand and supply in order to enable Fujian's economy to advance along a more wholesome track and create a stable and solid foundation for deepening the reform. [passage omitted]

Comrades and friends: On festive occasions, more than ever, we think of our dear ones far away. While celebrating the Spring Festival, we think of the compatriots in Taiwan, who are separated from us by the waters. Last June, I met a couple of fishermen from Taiwan in Dongsan County. During a friendly conversation, I learned that many Taiwan compatriots yearn to understand the progress of socialist construction in the motherland and to increase contacts with the mainland. We warmly welcome compatriots from Taiwan, Hong Kong, and Macao and Overseas Chinese to return to the mainland for sightseeing, visiting relatives and friends, or setting up business for the great undertaking of motherland reunification.

May I wish you a happy Spring Festival, and good luck and success in the coming new year.

SHANDONG'S LIANG BUTING AT SPRING FESTIVAL GATHERING

SK300412 Jinan Shandong Provincial Service in Mandarin 2300 GMT 29 Jan 87

[Text] On the morning of 29 January, the auditorium of the Jinan Najiao Guesthouse was filled with a happy festive atmosphere. The provincial party committee and government held a Spring Festival gathering there.

Attending the gathering were more than 600 persons, including members and alternate members of the party Central Committee in Jinan; members of the Central Advisory Commission; members of the Central Discipline Inspection Commission; members and alternate members of the provincial party committee in Jinan; members of the provincial Advisory Commission; members of the Standing Committee of the provincial Discipline Inspection Commission; members of the provincial People's Congress Standing Committee; vice governors; advisers to the provincial government; members of the provincial CPPCC Committee Standing Committee; leaders of the provincial Military District; responsible comrades of the provincial Higher People's Court, the provincial People's Procuratorate, and the various provincial-level democratic parties; and responsible comrades of the provincial-level departments, commissions, offices and bureaus, colleges and universities in Jinan. They gathered together happily under the same roof to talk cordially and to exchange festive greetings.

Liang Buting, secretary of the provincial party committee; Li Changan, deputy secretary of the provincial party committee and government; Su Yiran, chairman of the provincial Advisory Commission; Li Farong, secretary of the provincial Discipline Inspection Commission; Li Zhen, chairman of the provincial People's Congress Standing Committee; Zhou Xingfu, vice chairman of the provincial CPPCC Committee; Liu Yude, commander of the provincial Military District; and Political Commissar Cao Pengsheng extended Spring Festival greetings to all participants at the gathering on behalf of the provincial party committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress Standing Committee, the provincial government, the provincial CPPCC Committee, and the provincial Military District.

Liang Buting gave a speech at the gathering. He first extended Spring Festival regards and greetings to all participants. He said: If we say that last year was a year of stability and unity and that all fields scored gratifying achievements, this year also will be a year of even greater achievements in all undertakings if we uphold the four cardinal principles, oppose bourgeois liberalism, and persist in reform and opening to the outside world under the leadership of the party Central Committee. He said: All of you worked very hard during the past year. I thank you on behalf of the provincial party committee. During this year, I hope that all of you will further promote the fine traditions of building the country through hard work and thrift, actively carry out the work on increasing production and revenue while economizing on expenditures, strive to fulfill this year's fighting objective, and make new contributions to making the people rich and Shandong Province prosperous.

At the end of his speech, Liang Buting wished all participants good health, a happy Spring Festival, and happiness in all their families.

After exchanging greetings, the participants watched a film.

SHANGHAI'S TONGJI UNIVERSITY MEMBERS FOLLOW CPC

HK021017 Beijing RENMIN RIBAO in Chinese 27 Jan 87 p 3

[Article by Jiang Jingbo (3068 2529 3134) and Zhang Jiheng (1728 4764 5899), of Tongji University Firmly Follow the Party"]

[Text] In November last year, Fang Lizhi, a prominent figure in promoting bourgeois liberalization, visited Tongji University to deliver a lengthy incendiary speech. During the speech, he advocated "wholesale Westernization," opposed the four cardinal principles, and sowed dissension between the party and intellectuals, thus having a very bad influence on the teachers and students. [paragraph continues]

In December last year, a small number of students of Tongji University staged street demonstrations. Of these students, some were poisoned and bewitched by Fang Lizhi's speech, thus doing things that have saddened their own people and gladdened the enemy.

At present, a small number of students, who were hotheaded for a period of time, have long since become coolheaded. The whole university has thrown itself into the struggle against bourgeois liberalization and has been conscientiously conducting self-examination during the struggle. After these small twists and turns, vast numbers of teachers and students of Tongji University have further strengthened their resolve to follow the party in taking the socialist road, thus turning bad things into good.

Tongji University was established by Germans 80 years ago. Old teachers and alumni still remember that in semifeudal, semicolonial old China, Tongji University was under the rule of foreigners and was deeply stamped with the brand of enslaving education. In those years, foreign teachers often propagated to students in classrooms their foreign cultures, natural conditions, and social customs, and their national superiority. The German emperor's birthday was a holiday for the university; and when German aristocrats visited the university, all classes were suspended to receive them. There was a very great disparity in pay and conditions between Chinese and foreign teachers. Pay for foreign teachers was 5 to 10 times higher than that for Chinese teachers. It was after liberation and under the leadership of the CPC that our socialist Tongji university began taking the road toward independence and flourishing growth. In particular, since the 3d Plenary Session of the 11th CPC Central Committee, Tongji University has achieved rapid development through reform and has been enjoying increasingly great prestige both at home and abroad.

Old teachers who have had the experience of living in the old society can hardly tolerate Fang Lizhi's slander against the party. Professor Yang Qin, a former vice president of Tongji University, who has been suffering from general debility after a major operation, has continued to instruct graduate students in spite of ill health, and has never been absent from the party's regular activities. During a regular party meeting, he said indignantly: "Fang Lizhi's behavior is really shocking. After experiencing many periods and visits to foreign countries, I have found that the present period is the most democratic I have experienced, and that the Communist Party is truly the close friend of intellectuals." Some intellectuals, who were subjected to every kind of persecution during both the expanded antirightist struggle and the "Cultural Revolution," have not been complaining, nor have they been downhearted. They have actually taken the initiative in asking to join the party organization, have given full play to their intelligence and wisdom at their teaching and scientific research posts, and have been quietly doing their bit for the cause of the party. After listening to Fang Lizhi's speech on bourgeois liberalization, delivered that day at our university, these intellectuals immediately called on the party organization and unequivocally stated: This speech has sown discord between the party and intellectuals and negated the four cardinal principles; we should resolutely oppose it. In connection with the appearance of some big-character posters on the campus, professor Jiang Hanwen, a member of the Jiusan Society, has published in the university journal an article citing, on the basis of his personal experience, the harmfulness of big-character posters, and refuting Fang Lizhi's erroneous arguments.

The great majority of young teachers and students at our university have also firmly followed the party. Over 80 percent of the motions put forward at a recent congress of the student union [xue dai hui 1331 0108 2585] concerned reforms regarding teaching and scientific research. [paragraph continues]

According to statistics, our university has 123 party Constitution study groups, with a total of 2,122 participants. At the end of last year, when some students were creating a disturbance on the street due to the influence of the ideological trend of bourgeois liberalization, students of the first class of the part-time party school at our university were winding up their studies. The great majority of the party school students were not influenced by the disturbance. They expressed their firm faith at the forum on "the image and responsibility of party members during the new period," which was a brief summing-up prior to graduation. A student from the Department of Mechanics said: "The street demonstration staged by some students was not a proper action. This kind of action blocks traffic, affects production, is liable to be exploited by a very small number of people with ulterior motives, and also damages the excellent situation of stability and unity which has not come about easily." A student from the Department of Electricity Science said: "The action taken by a small number of students has hindered both the process of reform and the process of democratization. As members of the Communist Party, we must always take the party stand, propagate the party policy, safeguard the party's interests, and resolutely struggle against a few individuals engaged in instigating disturbances." These words represent the wishes of vast numbers of students.

We should point out that many students do not agree with Fang Lizhi's speech on bourgeois liberalization delivered at our university. Some students were in a mood to worship the professor and famous person when they attended Fang's lecture and they did applaud during the lecture. However, afterward, they said that Fang's lecture was disappointing. In particular, vast numbers of students opposed Fang's viewpoint regarding "wholesale Westernization." Students from the Department of Oceanography said: "Fang Lizhi said that Chinese culture is just cuisine. This is looking down on ourselves too much. 'Wholesale Westernization' is not the way to vitalize China. This point has been proved by history." Students from the Departments of Petrology, Pedology, and Structural Mechanics said: "Fang Lizhi equated the Red Army's Long March with Xuan Zhuang's pilgrimage for Buddhist scriptures, and even belittled the Long March. This was clearly not appropriate." After making studies recently and particularly after reading rational articles, written with good grounds, by Comrade Chen Junsheng [7115 0193 3932], some misguided students have begun to change their original views, have gradually recognized Fang Lizhi's sinister intentions, and have said that they will never repeat the stupid action of staging street demonstrations that can only sadden their own people and gladden the enemy.

Lenin said that God also permits young people to commit mistakes. Moreover, there are still quite a few shortcomings in our university's work. In particular, our ideological and political work for students was relaxed during the previous period. Therefore, we must now take a clear-cut stand in leading party members and students throughout the university to oppose bourgeois liberalization and to eliminate the influence of the erroneous speeches delivered by Fang Lizhi and others at our university. At the same time, we must make joint efforts to improve all aspects of work at the university, speed up the process of socialist democratization, and enhance our consciousness of implementing the party's general and specific educational policies.

"Sunflowers turn toward the sun and their essential quality will always remain unchanged." Although there have been some obstructions caused by some minor storms, we believe that vast numbers of intellectuals will further strengthen their faith in the party and their pursuit of the party's policies.

GUANGDONG ECONOMY GROWS DESPITE PROBLEMS

OW300846 Beijing XINHUA in English 0815 GMT 30 Jan 87

[Text] Guangzhou, January 30 (XINHUA) -- Guangdong Province, one of China's most important areas to be opened to the outside world, achieved a 12 percent growth rate in the value of goods and services it produced last year.

Three of China's four special economic zones, where foreign investors enjoy tax cuts and other preferential policies, are located in Guangdong. The provincial capital of Guangzhou and Zhanjiang are among the 14 coastal cities which exercise greater local authority over foreign investment and trade. Hainan Island and Guangdong's Pearl River Delta have also been opened to foreign investment.

Also in 1986, a provincial Statistics Bureau official said, the value of Guangdong's industrial output rose 13.6 percent from 1985 while its agricultural output jumped six percent.

Along with expanded production the living standards of both urban and rural residents have "improved considerably," the official said.

For example, the average income per urban dweller rose nine percent in real terms to 1,029 yuan (about 300 U.S. dollars) in 1986 while the income of a rural resident grew eight percent to 535 yuan. Urban and rural savings deposits were 23.38 billion yuan at the end of 1986, a 32.1 percent rise.

The official listed Guangdong's major economic achievements last year as follows:

- A record harvest of fruit and aquatic products;
- Retail sales grew at 12.2 percent to 38.5 billion yuan; and
- Exports soared 39.2 percent to 4.23 billion U.S. dollars.

He also mentioned problems in Guangdong's economy last year, such as a drop in the grain harvest and poor economic efficiency in some industrial and commercial businesses.

SHENZHEN TO INVEST MORE IN CAPITAL CONSTRUCTION

OW300714 Beijing XINHUA in English 0706 GMT 30 Jan 87

[Text] Shenzhen, January 30 (XINHUA) -- Shenzhen, in Guangdong Province, will invest 2.2 billion yuan (RMB) in capital construction this year, up 200 million yuan over 1986, according to "SHENZHEN SPECIAL ZONE DAILY."

Shenzhen is one of China's four special economic zones opened to attract foreign investment and advanced technology and equipment.

The local newspaper said priority will be given to building industrial enterprises this year. The city plans to spend 780 million yuan to attract industry, up 35 percent over last year.

More urban construction, transportation and telecommunication facilities and residential quarters will be erected this year, the paper noted.

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PRC REGIONAL AFFAIRS
CENTRAL-SOUTH REGION

Construction of support facilities for the Guangzhou-Shenzhen railway bridge, which opened to traffic early this month, will need an investment of 10 million yuan to complete this year.

A number of urban support projects such as a garbage disposal plant, a waste water treatment plant and a water works are expected to go into operation this year and five new parks will open to public.

The city plans to invest 30 million yuan on buildings for public services this year.

SHENZHEN SETS UP COMPLETE FINANCIAL SYSTEM

OWD10844 Beijing XINHUA in English 0829 GMT 1 Feb 87

[Text] Shenzhen, February 1 (XINHUA) -- Shenzhen, China's first special economic zone, has set up a complete financial system, including both Chinese and foreign banks.

According to a city official: "The financial system now includes more than 50 banks and financial institutions."

The Shenzhen branch of the People's Bank of China, China's central bank, is responsible for coordinating all specialized banks, such as the Construction Bank, the Agricultural Bank, and the Industrial and Commercial Bank. In addition, there are 12 branch offices of foreign banks in the zone, which operate independently to issue loans and introduce foreign capital, and nine other foreign banks have opened representative offices.

Under these banks, 21 credit banks, reorganized from original credit cooperatives and 13 non-banking organizations, such as insurance companies, trust and investment companies and regional financial institutions are now doing business.

All these financial institutions have contributed to the development of the zone, and last year alone, non-banking institutions made investment of 500 million yuan (135 million U.S. dollars).

The 12 foreign bank branch offices issued loans totalling 2.3 billion Hong Kong dollars (299 million U.S. dollars) in addition to providing advanced financial management experience, technology and information. The specialized banks, managed by the state, issued 3 billion yuan (810 million U.S. dollars) in loans for working capital.

SCHOLAR QIAN JIAJU DISCUSSES FUTURE OF SHENZHEN

HK231523 Hong Kong TA KUNG PAO in Chinese 23 Jan 87 p 1

["Special dispatch" from Beijing, 23 January: "Qian Jiaju Speaks About the Future of Shenzhen, Calls for Giving It Greater Decisionmaking Power"]

[Text] In an article written for SHIJIE JINGJI DAobao recently, renowned scholar Qian Jiaju said: It is necessary for us to consider the future development of Shenzhen from the political angle and from a long-term strategic view. Shenzhen should be built into a real special economic zone and more decisionmaking power should be given to it so as to create a favorable investment climate and attract more foreign investment funds. This will help develop other open cities as well as implement the strategic policy of "one country, two systems."

The article said: To create a most favorable investment climate, we must first give the greatest decisionmaking power to Shenzhen and confer plenary powers on its mayor. If Shenzhen's economy cannot soar quickly after he is given full powers, he should be dismissed from office. Of course, the status of Shenzhen cannot be equated with that of Hong Kong, but now we must at least relax control over the frontline and intensify management of the second line. To what degree shall we relax control over the frontline? Qian Jiaju said: At least we can simplify exit and entry visa formalities for foreign investors and travellers. They can even be exempt from such formalities. This will change the situation that Shenzhen receives visitors only from Hong Kong and Macao, and that is too crowded on holidays and it is desolate at ordinary times.

Qian Jiaju pointed out: The problem of the free flow of funds is more complex than any other. At present conditions are not ripe for issuing "currency of the special economic zones" and free exchange of Renminbi for foreign money can hardly be materialized for a long time to come (at least it will not be achieved before the year 2000). However, there are now centers for regulating foreign exchange for the convenience of supply and demand. At the same time, price fluctuation can strike a basic balance between foreign exchange from trade and that from non-trade. This is a temporary practical method.

He also pointed out: At present the most tremendous obstacles to the export-oriented economic development in Shenzhen are probably the export license and the quota system. From now on the Shenzhen people's government, after it is entrusted by the Ministry of Foreign Economic Relations and Trade, has the right to examine and approve the export of products which are not restricted by quotas fixed by countries which have come to an agreement with China.

Qian Jiaju's article concluded: I believe now it is a golden age for Shenzhen to attract more foreign investment funds. At present there is a surplus of funds throughout the world with a total of about \$1 trillion flowing every day. Foreign investors do not regard Mainland China as a desirable investment place and hesitate to make a move. For this reason, we must take measures to create a good investment environment of investment (opposing bureaucracy and enhancing work efficiency).

Qian Jiaju said if the Shenzhen Special Economic Zone is well developed, it will have a positive influence on both Hong Kong and Taiwan.

HUNAN'S MAO ZHIYONG SPEAKS TO CYL COMMITTEE

HK240307 Changsha Hunan Provincial Service in Mandarin 2300 GMT 23 Jan 87

[Text] On the afternoon of 23 January, provincial party committee Secretary Mao Zhiyong made an important speech at the first enlarged plenary session of the ninth provincial CYL Committee, in which he called on CPC and CYL members throughout the province to uphold the four cardinal principles and take a firm and clear-cut stand in the forefront of the struggle against bourgeois liberalization.

Comrade Mao Zhiyong said: The recent enlarged meeting of the CPC Central Committee Political Bureau, which was of major and far-reaching significance, made four decisions on central personnel reshuffles. The central authorities have also issued a series of documents giving important instructions on upholding the four cardinal principles and launching the struggle against bourgeois liberalization. These central decisions and instructions are completely correct and extremely timely.

They enable us to profoundly understand the very great importance of currently unfolding the struggle against bourgeois liberalization.

We must resolutely respond to the call of the CPC Central Committee, closely unite around the CPC Central Committee, and take a firm and clear-cut stand in the forefront of this struggle.

Comrade Mao Zhiyong said: We must clearly perceive the effects of the trend of thought of bourgeois liberalization in Hunan. He said: Generally speaking, Hunan's newspapers and publications are good. However, some papers, journals, and publications have not done enough in vigorously publicizing the four cardinal principles. Some have disseminated certain erroneous viewpoints of bourgeois liberalization. The remarks of Fang Lizhi, Wang Ruowang and others vigorously preaching bourgeois liberalization also have a market in Hunan.

The CPC and CYL members in the province must fully understand the importance and necessity of this struggle, spontaneously adhere to the four cardinal principles, and resolutely oppose bourgeois liberalization. They should be tested by the party and people in the course of the struggle.

Comrade Mao Zhiyong said that attention should be paid to the following points of the struggle.

1. We must clearly understand in guiding ideology that opposing bourgeois liberalization is for the purpose of correctly and fully implementing the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee and for doing still better in reform and opening up under the premise of upholding the four cardinal principles. Far from hampering reform and opening up, opposing bourgeois liberalization should ensure and stimulate their smooth progress. We must therefore continue to carry out reform and opening up in accordance with the goals and measures laid down.

2. We must always remember to take economic construction as the core, and concentrate efforts on developing the social productive forces. The cadres and masses must unite as one, redouble their efforts, and resolutely fulfill the economic work tasks for this year, scoring new success in economic work to smash the attempts of those people with ulterior motives to oppose us.

3. We must continue to respect knowledge and talent, and bring into full play the initiative and creativity of the intellectuals in building the two civilizations.

4. In the struggle against bourgeois liberalization, we must take a firm and clear-cut stand and also pay attention to policies and methods. We must not organize a political movement or repeat the erroneous leftist methods of the past. This struggle is mainly to be carried out on the political and ideological front.

We must continue to regard education by positive example as the important things, and rely on and unite the great majority. The fundamental issue in criticizing bourgeois liberalization is to educate people. Apart from a very few criminal elements who break the law, it is mainly a question of conducting education. We should also welcome those who have made mistakes to understand and correct their mistakes.

Liu Zheng, deputy secretary of the provincial party committee; (Xia Shanzhong), member of the Standing Committee of the provincial party committee and director of the Propaganda Department; and Li Jainguo, member of the Standing Committee of the provincial party committee and secretary of the provincial CYL Committee, attended the meeting. Participants in the study meeting of provincial propaganda chiefs also listened to the report.

The first plenary session of the ninth provincial CYL Committee elected Li Jianguo, who is female, as secretary of the committee, and (Zhang Changping), (Xu Xianping), and (Lei Kebao) as deputy secretaries. The Standing Committee members elected are, in order of the number of brush strokes in the surname: (Yin Xiping), (Li Bin), (Liu Zhiming), Li Jianguo, (Zhang Changping), (Xu Xianping), (Lei Kebao), (Tong Yingquan), (Zhang Asi), (Xiong Weiping), and (Qi Zhisheng).

The session also approved in principle a decision of the provincial CYL Committee on stepping up theoretical study and the building of ideology and work style, and its opinions on building socialist spiritual civilization. The session also arranged the tasks for 1987.

HUBEI LEADERS VISIT RED ARMY VETERANS, CADRES

HK271133 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 26 Jan 87

[Text] This afternoon, leading comrades of the provincial party committee and provincial government, including Guan Guangfu, Guo Zhenqian, Zhao Fulin, Wang Qun, Qian Yunlu, Liu Qizhi, Zhang Xueqi, Liang Shufen, Wang Hanzhang, Wang Libin, and Duan Yongkang, led four comfort groups to visit some 40 Red Army veterans, veteran cadres, and family members of deceased veteran cadres to pay a new year call on all veteran comrades and to wish them happiness around the festival and good health and long life in their remaining years.

While visiting the veteran cadres, leading comrades, including Guan Guangfu, said: You have made important contributions toward our party and the people and are the valuable wealth of our party and people. The excellent situation of our province last year could not be separated from the good foundation laid by you veteran comrades.

These veteran comrades said excitedly: We thank the party and people for their concern for us. They declared that they would surely stand in the forefront of the struggle against bourgeois liberalization, act as models in straightening out party style and adhering to the four cardinal principles, support the work of the provincial party committee and provincial government with practical actions, and make new contributions toward the building of two civilizations in our province.

BRIEFS

HANAN OILFIELD PRODUCTION -- Although investment was reduced by 13 percent in 1986, Zhongyuan Oilfield's output of crude oil recorded an increase of 800,713 tons over 1985. The oilfield saved oil, electricity, and gas equivalent to some 171,200 tons of standard coal. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 27 Jan 87 HK]

YUNNAN LEADERS PAY VISIT TO VETERAN CADRES

HK280305 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 26 Jan 87

[Excerpts] Leading comrades of the Yunnan Provincial CPC Committee, People's Congress Standing Committee, and government, and of Kunming City have formed 11 groups to pay comfort visits to retired veteran cadres and relatives of deceased veteran cadres and Red Army veterans. This activity began on 22 January. The participants included Pu Chaozhu, He Zhiqiang, Liu Shusheng, and Li Gujing. [passage omitted]

Pu Chaozhu said at a cadre sanatorium on 26 January: The CPC Central Committee Political Bureau recently convened an enlarged meeting. The provincial party committee has seriously studied the relevant documents and the spirit of the meeting. It has expressed resolute support for the meeting's decisions. The provincial party committee holds that it is extremely important and essential to take a firm and clear-cut stand in upholding the four cardinal principles and opposing bourgeois liberalization, and to stand in the forefront of the struggle. [passage omitted]

YUNNAN LEADERS ATTEND SPRING FESTIVAL PARTY

HK300225 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 29 Jan 87

[Excerpts] On 29 January, some 1,000 people from all circles held a grand gathering in Kunming to celebrate the Spring Festival. Present were responsible comrades of the Yunnan Provincial CPC Committee Pu Chaozhu, He Zhiqiang, Zhu Zhihui, Li Shuji, Liu Shusheng, Zhao Shumin, Qiu Chuangjiao, Zhao Tingguang, Zhu Kui, Wang Jinxian, Yin Jun, Zhao Kun, and (Bao Yongkang); Li Xingwang, (Zhang Lin), (Hou Qunying), (Wang Dingwu), (Wang Jian), and (Chen Zhengnian); responsible comrades of the provincial Advisory Commission; and others. [passage omitted]

Also present were members of the Central Advisory Commission, alternate members of the CPC Central Committee, and NPC deputies in Kunming Liu Minghui, Zhang Zhixiu, Xie Zhenhua, Huang Demao, and Hu Ronggui; a number of veteran comrades of the province, including Ma Jikong, Sun Yuting, Gao Zhiguo, Xue Tao, Zhu Jiabi, and Zhang Zizhai; (Pang Yingsheng), a responsible comrade of Kunming City; and Wang Zuxin, (Wang Jinxi), (Ji Youming), Liu Yantian, (Fan Zhenshan), (Tian Hejun), (Cai Zhen), (Pan Yueyuan), (An Zhiyue), and (Ge Chengyi), responsible comrades of PLA units in Kunming. [passage omitted]

In a speech, He Zhiqiang, deputy secretary of the provincial party committee and governor, said that the recent enlarged meeting of the CPC Central Committee Political Bureau was a meeting of major and far-reaching significance. We, the party, government, Army, and people in Yunnan, resolutely support the communique of the enlarged meeting. We are resolved to unite closely around the CPC Central Committee, actively plunge into the struggle against bourgeois liberalization, and make our greatest efforts to consolidate and develop the political situation of stability and unity in Yunnan, strive for long-term steady development of the national economy, and fulfill the Seventh 5-Year Plan. [passage omitted]

He said: To further develop the excellent situation, this year we must focus on two matters in accordance with the CPC Central Committee's instructions: 1) On the political and ideological front, we must take a firm and clear-cut stand in the struggle to oppose bourgeois liberalization; and 2) on the economic front, we must launch a drive to increase production and practice economy and increase revenue and economize expenditure, and build the national economy on the basis of long-term steady development. [passage omitted]

LI XIMING ATTENDS BEIJING ARMY-CIVILIAN SOIREE

SK020145 Beijing BEIJING RIBAO in Chinese 25 Jan 87 p 1

[Text] On the evening of 24 January, the municipal party committee and the municipal people's government held an Army-civilian soiree at the Great Hall of the People, at which the representatives of the people throughout the capital and of the PLA units stationed in the capital happily got together to celebrate the Spring Festival.

Nearly 10,000 persons, including the personnel of the PLA General Departments, the commanders and fighters of the PLA units stationed in the municipality, people from various social circles, and representatives of martyrs' family members, disabled soldiers, and retired servicemen, were full of festive joy in attending the soiree to show their Army-civilian affection that is like fish and water.

Prior to the soiree, the municipal leading personnel and the leading comrades of the PLA units stationed in the capital cordially held a brief meeting at the Henan Hall, in which Li Ximing, secretary of the municipal party committee, and Chen Xitong, mayor of the municipality, wished the PLA leading comrades, including Han Huaizhi, deputy chief of General Staff; Zhu Yunqian, deputy director of the General Political Department; and Zong Shunliu, deputy director of the General Logistics Department, a happy Spring Festival. They also extended cordial regards on behalf of the people throughout the municipality to the Army made up of the sons of the people. The leading comrades of the PLA units also expressed thanks to the assistance given by the municipality to the PLA units' work and livelihood over the past year. Also attending the meeting were Zhao Pengfei, chairman of the municipal People's Congress Standing Committee, and Hai Jiefu, chairman of the municipal CPPCC Committee.

The soiree halls in the Great Hall of the People were filled with a warm spring atmosphere, in which the Army-civilian representatives happily spent the festive evening together. Leading comrades were full of zest in viewing the performance of the Beijing Opera in the small auditorium, and others viewed a film in the large auditorium.

HEBEI SECRETARY SPEAKS AT YEAR-END MEETING

SK281233 Shijiazhuang HEBEI RIBAO in Chinese 11 Jan 87 p 1

[Text] At the year-end meeting of provincial-level organs to report on the province's situation sponsored by the provincial party committee and the provincial government on 29 December 1986, Comrade Xing Chongzhi, secretary of the provincial party committee, called for paying full attention to safeguarding and developing the political situation characterized by stability and unity, and for not being weak or vague but having a clear-cut stand to wage the struggle against the wrong words and deeds of bourgeois liberalism instead of letting them go unchecked and develop arbitrarily.

After discussing the situation in which a small number of students in some cities took to the streets to hold demonstrations, Comrade Xing Chongzhi said that many comrades who personally experienced the 10 years of chaos have a profound understanding of the evil consequences brought about by that unstable situation. The people at that time were afraid when they ate or slept and did nothing because activities of criticism and denouncement, shouting, creating trouble, and attacking and cursing others could be found everywhere. We keenly feel the pain from this lesson. Therefore, each and every Communist Party member and each and every Chinese citizen should fully cherish the political situation characterized by stability and unity and should enthusiastically make due contributions to consolidating and developing this situation.

Comrade Xing Chongzhi put forth opinions as follows:

First, the entire party should persist in the line, principles, and policies set forth by the party since the 3d Plenary Session of the 11th CPC Central Committee. To put it briefly, the line of the Third Plenary Session is "two adherences"; that is, adhere to reform and the work of opening to the outside world, and adhere to the four cardinal principles. This is the foundation for building our country as well as the fundamental guarantee for building socialism with Chinese characteristics. Socialism with Chinese characteristics cannot be built if we do not conduct reform or open the country to the outside world. However, reform and opening to the outside world must be carried out on the premise of adhering to the four cardinal principles. Practice shows that we will certainly be able to advance if we adhere to this line, and that we will depart from the correct orientation and suffer setbacks if we run counter to this line. Thus, we should educate and guide the vast number of party members, cadres, and masses with the line of the Third Plenary Session to enthusiastically stop, criticize, and wage the necessary struggle against words and deeds in violation of this line. Only by so doing can we unite all of the people to wholeheartedly conduct reform and construction, to realize the common ideal of the current stage, and to fight for realizing the ultimate goal of communism.

Second, the party members should enhance their party spirit, and party organizations should enhance their combat effectiveness. We should conscientiously grasp the construction of party organizations and the education about party spirit among party members. The party organizations should make efforts to enhance their "blood-making" and "immunity" functions and should rely on their own forces to solve their own problems. The party organizations should ceaselessly upgrade their combat effectiveness to effectively resist the corrosive influence of various social political microorganisms and to better play their role as a leading core in guiding the people to conduct reform and construction. While correctly unhealthy practices over the past few years, we paid more attention to grasping the unhealthy practices in the economic fields, including the problems of some party-member cadres practicing serious political liberalism, even bourgeois liberalism. The reason a small number of students were able to create disturbances is because the ideological trends of bourgeois liberalism ran rampant in some places over a certain period. This fact proves again that it is completely correct and very necessary that the resolution adopted at the 6th Plenary Session of the 12th CPC Central Committee lays stress on opposing bourgeois liberalism. Instead of being weak and vague, we should boldly manage and grasp all wrong words and deeds, and guard against letting them go unchecked or develop arbitrarily.

Third, we should strengthen the work in the ideological, theoretical, press, cultural, and art fields. Whether or not we can achieve the work in these fields directly affects the situation characterized by stability and unity because the work in these fields has an extensive impact on the masses. At present, a large number of comrades working in these fields are working arduously and have made achievements in their work. However, problems still exist. For instance, the ideological trends of bourgeois liberalism and some wrong words and deeds were made public through our propaganda means and mass media and through the press, publications, films, and television. So, we should pay close attention to the work in these fields. We should strengthen the work of these fronts in line with the principle of consolidation, supplement, and improvement set forth by the central authorities. Our party should firmly grasp the work of these fronts and enable them to be the true mouthpiece of the party and the people and to be an effective means to unite, educate, and mobilize the people to conduct the four modernizations wholeheartedly.

Fourth, we should strengthen and improve the party's ideological and political work, strengthen the construction of the ranks of political workers, and upgrade the quality of cadres in charge of political work. The party organizations at all levels should conduct various forms of ideological education and adopt methods of presenting facts and reasoning things out to effectively help the vast number of the masses, in particular, young students, eliminate various confused ideas and understanding and consciously resist the influence of the ideological trend of bourgeois liberalism.

Fifth, we should strictly enforce party discipline. No party members are allowed to produce or disseminate political rumors and hearsay or spread words related to bourgeois liberalism. The party members who support and participate in the activities of bourgeois liberalism are never allowed to go unchecked. We should adhere to centralism on the basis of democracy and democracy under centralized guidance. These two cannot depart from or conflict with each other. The reform of both the economic and political systems should be carried out in a planned and step-by-step manner under the leadership of the party instead of letting each go its own way.

Sixth, leading cadres at all levels should go deep into the grass roots and reality to conscientiously conduct investigations and study and to listen to the people's opinions and suggestions. Only when the leading cadres at all levels establish close ties with the masses and hold heart-to-heart talks with the masses, only when the relations between the party and the masses and between cadres and the masses become increasingly more close, and only when the people from higher and lower levels are unanimously brave in supporting and commending all correct words and deeds and criticizing and educating all wrong things, will the situation characterized by stability and unity certainly be consolidated and developed.

HEBEI SECRETARY AT MEETING ON TOWNSHIP ENTERPRISES

SK290213 Shijiazhuang HEBEI RIBAO in Chinese 13 Jan 87 p 1

[Text] The provincial on-the-spot meeting to exchange experiences in the work of township enterprises, which concluded in Baxian County on 11 January, called for efforts to regard township enterprises as the strategic focus of our economic development, adhere to the guiding principle of relaxing policies and enlivening the economy to accelerate their development, and bring them up to a new stage in the new year.

Xing Chongzhi, secretary of the provincial party committee; Yang Zejiang, chairman of the provincial Advisory Commission; Yue Qifeng, deputy secretary of the provincial party committee; and provincial Vice Governor Zhang Runshen attended the plenary session on 11 January. Xing Chongzhi, Yang Zejiang and Yue Qifeng delivered speeches.

The participating responsible comrades from various prefectures, cities and counties visited 18 typical units of various types in Qinghe, Lixian, and Baxian Counties. They held discussions during the visits, felt that their views had been broadened, and were inspired and became more confident. They said that the meeting, which was held by the provincial party committee and government, was to mobilize the cadres and people throughout the province to reform, create the new, do practical work, and achieve prosperity at an early date. This meeting will become a new starting point for the township enterprises of our province to develop.

Through repeated discussions, the participating comrades have come to understand better the several major issues concerning township enterprise development.

Present at the get-together were leading comrades of the Jilin Provincial CPC Committee, Advisory Commission, People's Congress, government, CPPCC Committee, and Discipline Inspection Commission, and leading comrades of Changchun City, including Gao Di, Gao Dezhan, Wang Zhongyu, Wang Daren, Zhao Xiu, Zhang Shiyong, Xiao Chun, Li Yaquan, Du Qinglin, Hui Liangyu, Dong Xin, Wang Jiping, Li Shuren, Chen Hong, Feng Yingkui, Huo Mingguang, Liu Cikai, Cheng Shengsan, Cui Lin, Yu Ruinuang, Dong Su, Xu Yuancun, Liu Shulin, Wang Jinshan, Guan Mengjue, He Yunqing, Geng Yuelun, Xin Cheng, Jin Minghan, Cai Qiyun, Wu Yixia, and (Wang Li). Also present were leading comrades of the provincial Military District and the PLA units stationed in Changchun, including Yu Zhonghuan, Ma Fengtong, Bai Wenzhong, (Xie Decai), and (Ma Chi); retired comrades of the province and Changchun City, including Yu Lin, Yu Ke, Zhang Kaijing, Yang Zhantao, and Wang Guanchao; responsible comrades of various democratic parties and mass organizations in Changchun; and representatives of various nationalities from various circles.

A China-made feature film entitled Once Again the Field Is Covered With the Green Curtain of Tall Crops was shown at the get-together.

JILIN RIBAO COMMENTARY ON SOCIALISM, CAPITALISM

SK030041 Changchun JILIN RIBAO in Chinese 21 Jan 87 p 1

[Commentator's article: "How To Make a Contrast Between the Two Social Systems"]

[Text] Along with the development of the policy of opening the country to the rest of the world to enliven the domestic economy, over the past few years our country's contacts with foreign countries have increasingly expanded and the people have come into more contact with situations of various forms brought in from the capitalist world. In a sense, through further understanding the situation in foreign countries, the people will expand their field of vision and will learn advanced things from foreign countries. But, by grasping the people's weakness in failing to thoroughly understand the situation in foreign countries due to our country's long-term closure to the outside world, a small number of people who enthusiastically practice bourgeois liberalism inappropriately make contrasts between our country and a small number of developed capitalist countries. They negate the socialist system and encourage the people to follow the capitalist line so that some people, in particular some young people who do not understand Chinese history, have been affected by these negative ideologies. We must pay great attention to this.

In making a comparison, first of all, we must have a correct starting point and adopt correct methods and must pay attention to the comparabilities of various things. Otherwise, the comparison will be made unscientifically. At present, in terms of the economic development level, our country truly lags behind such developed capitalist countries as the United States, Japan, and West Germany. However, our country is different from them in terms of its original foundation and historical starting point. At the time when China was decadently under domination in the later stage of the Qing Dynasty, the United States has shifted from the capitalist stage to an imperialist stage and committed aggression to carve up China. With more than 200 year's history in capitalist development, the United States enjoys many exceptional advantages. Neither world wars took place on the territory of the United States, but it made a fortune from the wars. Simultaneously, the United States amassed wealth from the rest of the world through monopolizing capital, committing aggression, and plundering other countries. During the past 100 years our country was in a semifeudal and semicolonial status and all our vitality was undermined because the country was successively invaded by foreign countries and was repeatedly forced to cede its territory and pay indemnities, because separatist warlord regimes were set up, and because civil wars broke out in succession. [paragraph continues]

Thus, fundamentally speaking, we are unable to make a comparison between the economic situation of old China and that of the United States at that time. There was a wide gap between the starting points of the two countries. With a history of only 30 years or so, our socialist society is now at the initial stage of socialist development. However, in terms of the economic growth rate and the level of improvements in the people's livelihood, our country is superior to capitalist countries with similar conditions.

If we have to make comparisons, we should compare our country with those capitalist countries whose natural and historical conditions are, by and large, similar to ours. India, another big country in Asia, was originally a semifeudal and semicolonial society. It proclaimed independence in 1948; the PRC was established in 1949. The two countries had similar economic foundations at that time. India was even superior to China in some fields. For instance, at that time India had more than 50,000 km of railway lines, and China had only more than 28,000 km. The per capita distribution of cultivated areas in India was more than that in China, and its population was smaller than China's. The differences were that India's international environment was better than China's due to the fact that after independence, India followed the capitalist line and enjoyed the assistance of several big countries. But more than 30 years later, our country's economic growth rate is much faster than that of India. In this period, the annual industrial growth rate of India averages about 5 percent, while that of China has been more than 10 percent. The total industrial and agricultural output value in China showed an increase of nearly 20 times over that during the liberation period. But India's industrial and agricultural output value increased less than four times in this period. At present, a large number of people in India still have nothing to eat. Social problems have accumulated and social disturbances have taken place one after another. Some people also make a comparison between Mainland China and Taiwan. Thus, they think that the socialist system is inferior to the capitalist system. We must specifically analyze this problem. After World War II, the per capita income of the people in Taiwan was three times higher than that of Mainland China. The Chiang Kai-shek clique brought large amounts of gold and assets to Taiwan when it fled Mainland China. In past years Taiwan has been given great assistance by the United States. Simultaneously, no wars have taken place on Taiwan. There are many reasons for the differences between Mainland China and Taiwan, but by no means is the system in Taiwan better or was Chiang Kai-shek wiser. Mainland China produced only 30,000 tons of steel after it had been ruled by Chiang Kai-shek for 22 years. This figure is one one-thousandth of our present output. At present some foreigners hold that we must compare Taiwan with such small areas as Shanghai, but must not compare Taiwan with the entire Mainland China. Simultaneously, we must compare Taiwan with Shanghai after deducting the factors that Taiwan accepts huge sums of aid from the United States, and that Shanghai supports the whole country. If we make a comparison in this way, Taiwan will find no way to win.

Conversely, other people without ulterior motives do not compare our shortcomings to their strong points or exaggerate our dark side and avoid talking about the decadent trends of capitalist society. Brazil, a semideveloped capitalist country, has a great disparity between the rich and the poor, although its per capita income exceeds \$2,000. Ten percent of the rich in Brazil are richer than those in the United States, while the forty percent who are poor have no place to live, no work to do, or no regular sources of income. More than 3 million people died in the northeast of Brazil in the disasters that occurred several years ago. The Army built up lines of defense to prevent the disaster-stricken people from moving to the richly endowed southern areas and the big southern cities lest they made trouble for the society of rich people. Thus, the disaster-stricken people were left to starve to death in the poor areas. It is difficult to heal such chronic social illnesses as the Mafia in Italy and the United States, the terrorist organizations in France, the tendency toward drug use and trafficking in narcotics in the Western world, and AIDS. [paragraph continues]

Capitalist society is not as beautiful as some people have described. On the contrary, history determines that capitalist society will finally be replaced by socialism.

More than 100 countries in the world have a capitalist system. However, only 10 or 20 of them are really rich and well developed. Although the present economic level of China is inferior to that of some developed capitalist countries, no polarization has taken place in China. The people's livelihood is improving, however, there are people in a few areas who have only adequate food and clothing. A big country like China with a poor foundation and with a population of 1 billion will split up and will return to a semifeudal and semicolonial path if we carry out the capitalist system instead of the socialist system.

The socialist system is the only way for rejuvenating China and making our country prosperous and strong. It is of historical significance and was correctly chosen by the Chinese people through their long-term arduous explorations and comparisons. We firmly believe that the superior socialist system will be able to create material and spiritual civilizations which are more advanced than those created by capitalist society. A hundred years from now we will certainly be close to, catch up with, or be superior to the developed countries in the world. We cannot draw a parallel between the socialist capitalist systems, since the socialist system is superior. This is what the historical materialism teaches us, and this has been proven by social practice and will certainly be proven by further practice.

JILIN'S CHEN XINGYIN VISITS BORDER DEFENSE

SK280357 Changchun Jilin Provincial Service in Mandarin 2200 GMT 27 Jan 87

[Text] From 22 to 26 January, Chen Xingyin, commander of the provincial Military District, braving cold wind, visited sentry posts on high mountains to extend warm regards to the cadres and soldiers of the border defense units stationed in Hunchun County of our province on behalf of the leading organs of the provincial party committee, government, and Military District, and wished them a happy new year. Commander Chen and the soldiers on duty conducted observations from the posts and held heart-to-heart talks. He urged the cadres and soldiers to uphold the four cardinal principles, oppose bourgeois liberalism, and successfully stand guard for the people of the motherland.

JILIN LEADERS VISIT CHANGCHUN PLANTS IN NEW YEAR

SK300006 Changchun Jilin Provincial Service in Mandarin 2200 GMT 28 Jan 87

[Excerpts] On the eve of the lunar new year, firecrackers crackled and sputtered on the streets of Changchun City, and the lights shining from various buildings glimmered. When night had fallen, some provincial and Changchun City party and government leading comrades, including Gao Di, Gao Dezhan, Wang Zhongyu, and Wu Yixia, drove to units such as the Changchun General Thermal Power Plant, the city coal gas company, and the city Telecommunications Bureau, to pay a new year call and extend regards to the staff members and workers standing fast at their posts during the festival. [passage omitted] At 1900, leading comrades including Gao Di, Liu Shulin, Wu Yixia, and Zhang Mingyuan, visited the Changchun City General Thermal Power Plant and walked among the workers. [passage omitted]

After visiting the Changchun General Thermal Power Plant, the cars drove to the Changchun City Coal Gas Company. Scenes in which generators were roaring and the workers were busy at work prevailed at the company. Special personnel were working at all service centers and stations of the company. All skilled workers of the company were working as usual on lunar new year's eve. [passage omitted]

SHAANXI RIBAO ATTACKS LIU BINYAN ARTICLE

HK290539 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 27 Jan 87

["Summary" of article by (Zheng Yu) in 27 January SHAANXI RIBAO: "We Will Not Allow Liu Binyan to Cause Trouble in the Localities"]

[Text] Liu Binyan, a party-member reporter, ignored the party's propaganda discipline, and continually published reports that were seriously at variance with the facts, under the pretext of writing the solid truth. He also sowed discord and seriously disturbed stability and unity in the localities. His long article, The Rights and Wrongs of 38 Years, published on 25 August 1984, was an example of this.

Before the Spring Festival of 1984, Liu Binyan came to Xian to gather news. He said he was acting in accordance with a note from a leading central comrade and had been sent by the RENMIN RIBAO director to investigate the problem of Guo Jianying. The Xian City party committee assigned a deputy secretary general of its general office to tell Liu about the case, and also gave him the relevant materials. After seeing this material, instead of carrying out his investigation, Liu Binyan said the materials contained falsehoods. He left Xian for Beijing after a few days.

Not long after that, the Xian City party committee dispatched the same general office deputy secretary general to Beijing to report to the responsible comrades concerned on the problem Liu had been checking. The director of RENMIN RIBAO at that time said he had certainly not sent Liu Binyan to Xian to gather news. He also sent for Liu and criticized him on the spot.

The article, The Rights and Wrongs of 38 Years, is seriously at variance with the facts in the following four respects:

1. The dismantling of a shed in Guo Jianying's backyard, described in the article, was in fact a judgement made according to law by the judicial departments. Yet Liu Binyan wrote that it was the result of a leader of the city party committee interfering in the legal process.

The facts are: According to the Constitution, land in urban areas is owned by the state. The timber company of the provincial Material Supply Bureau wanted to erect a building on a plot at the rear of three houses, including Guo Jianying's, and had already initiated the process of requisition of the land. The evicted households were resettled in temporary accommodation. An argument broke out when attempts were made to dismantle the shed in Guo Jianying's backyard. On receiving a complaint, the district People's County Court investigated and issued a judgement, which ordered the dismantling of the shed. After repeated studies, the city Intermediate People's Court held that this judgement was correct. Responsible persons concerned of the provincial Higher People's Court also held that the judgement was correct. At the start the city party committee knew nothing about the matter. Yet Liu Binyan reversed right and wrong and said that the city party committee leader had decided on it long ago.

2. The article, The Rights and Wrongs of 38 Years, begins: When the People's Court forcibly dismantled the shed of the Guo Jianying home, the dispatched several dozen armed personnel in a truck who, under the direction of (Liang Ping), vice president of the Lianhu District People's Court, launched a major attack on the Guo Jianying family. The facts are that when the court's final judgement was reached, it first demanded that the Guo family dismantle the shed itself, and urged them to do so many times.

PLANS TO FURTHER REDUCE TARIFFS ANNOUNCED

OW031155 Taipei CNA in English 0933 GMT 3 Feb 87

[Text] Taipei, Feb 3 (CNA) — The Finance Ministry will make a sweeping reduction on "middle level" tariffs in an effort to restructure tariff rates.

Officials of the ministry said a decision has been made to lower most of the 20-40 percent tariffs in this year's tariff reduction. The ministry is currently working on plans to introduce a new tariff cut sometime this year.

They said that as a majority of the import items are taxed between 20 percent and 40 percent, the projected reduction of tariffs on this category will bring greater results in stimulating imports and promoting trade liberalization.

In the past, they said, the government has put emphasis on trimming maximum tariff rates, which have been reduced from a hefty high of 120 percent a few years ago to the present 57.5 percent.

Now the ROC's [Republic of China] highest tariff rate is even lower than that of Japan and many European countries, although it is slightly higher than the 48 percent of the United States, the official said.

Presently, the ROC's customs revenues depend mostly on tariffs of import items that are levied between 20 percent and 40 percent. In industrialized countries, the majority of customs revenues come from tariffs of lower than 20 percent.

In an effort to restructure the tariff rates and in coordination with the government's decision to correct the trade imbalance, the officials said, the forthcoming tariff cut will be centered on a 20/40 percent level.

Currently, import items such as electrical appliances, foods, chemicals, plastic and rubber products, paper products, and glassware are levied at higher than 20 percent. In the future, these commodities will get lower tariffs, the officials said.

PREMIER MEETS U.S. CONGRESSMAN KLECZKA

OW130303 Taipei CNA in English 0233 GMT 13 Jan 87

[Text] Taipei, Jan 12 (CNA) — Premier Yu Kuo-hua received visiting U.S. Representative Gerald Kleczka, D-Wisconsin, at the Executive Yuan Monday afternoon.

Premier Yu extended his warm welcome to Kleczka on his visit and exchanged views with the American Congressman on recent developments in the new U.S. Congress and on trade protectionism.

Kleczka, 44, a member of the Banking, Finance and Urban Affairs Committee and the Governmental Operations Committee of U.S. House of Representatives, met Premier Yu in the company of Vice Minister of Foreign Affairs John H. Chang. He arrived here Jan 10 for a five-day visit and is scheduled to leave Taipei on Jan 14.

HONG KONGEDITORIAL ON PRC ATTITUDE TOWARD WESTERN PRESS

HK270257 Hong Kong SOUTH CHINA MORNING POST in English 27 Jan 87 p 12

[Editorial: "Western Press and the China Syndrome"]

[Excerpts] The chill wind from Beijing has extended from student protesters and outspoken academics to the Western press, with the virtual expulsion yesterday of a reporter for the respected news agency, AGENCE FRANCE-PRESSE. This follows the arrest at the weekend of a 20-year-old Chinese student, allegedly for passing on "intelligence" to the reporter.

In requiring that the reporter, Mr Lawrence MacDonald, leave his posting in Beijing, the Foreign Ministry claimed it had "conclusive evidence" that Mr MacDonald had engaged in activities which did not accord with his status as a journalist. It gave no further details. [passage omitted]

Mr MacDonald is the second Western journalist recently to be implicated in what is said to be an intelligence area. The other is the celebrated case of Mr John Burns, the correspondent for the NEW YORK TIMES, who was foolish enough to go on an unauthorised motorcycle journey through the countryside. He was held for six days on suspicion of intelligence gathering before being deported, but was never formally charged.

It would seem that Mr MacDonald's sudden lack of popularity in Beijing is not unconnected to the recent unrest among students and the resultant clampdown on all forms of dissent, under the catchphrase of "bourgeois liberalism". The announcement can be interpreted as a clear warning to Western news organizations and their Chinese sources to tread very carefully indeed.

Already the official press has criticised the Voice of America, the U.S. Government-funded radio station, claiming that its reporting on the student demonstrations was "inflammatory." The Western press has also been accused of encouraging students at Beijing University, who put up wall posters and burned copies of the BEIJING DAILY that was critical of their demands for democracy and press freedom.

If the crackdown against bourgeois liberalism is to be extended to Western news agencies, then the backlash is indeed stronger than first expected. Sadly, it will do nothing for China's international image, nor to maintaining international confidence in its repeated assertions that the modernisation reforms are continuing. What use is an open door if no one is allowed to look through it? Or if the view is solely what the authorities wish to be seen? China will do itself no service at all if it restricts reporting on that great country to official statistics and Dr Pangloss pronouncements.

It must be said, though, that one unwanted reporter does not make total censorship. It is perhaps more appropriate to regard the latest incident as a warning rather than the beginning of a trend. It must always be remembered that China regards the press in an entirely different light than in the West. In China, the press is an instrument of state policy; there is no concept of a press as a free and impartial purveyor of the truth. Both presses can be said to serve the public interest, of course, but public interest in China is what the government decrees.

Regarding township enterprises as the strategic focus of our economic development is an inexorable choice made after repeated analysis of the position of township enterprises and the needs in economic development as a whole. At present, township enterprises have become not only an important pillar of the rural economy but an important component of the national economy as a whole. Accelerating their development is not only an urgent need in leading peasants to prosperity but also a need in building new socialist countryside with Chinese characteristics. This year the growth rate of their development should outstrip that of last year and the national average.

We should pool the efforts of collectives and individuals to develop enterprises run by townships, villages, and households jointly or individually. An important way to expedite the development of township enterprises is to mobilize the forces of thousands of families to run family enterprises. This should be done not only in backward areas but also in economically developed areas. At the same time, we should actively develop rural enterprises run by collectives, in particular, a number of key leading ones. Proceeding from their own reality, all localities should suit their measures to local conditions. They should avoid uniformity, and allow households or collectives to develop whatever is suitable for them.

Reform should be deepened to invigorate enterprises. We should show full respect for the decisionmaking power of enterprises and develop township enterprises' advantage of individual accounting, sole responsibility for profits and losses, and marketing regulation. At present we should, on the one hand, do a good job in reform, improve the contact system, and popularize the stock system, and on the other, further relax policies and provide a more relaxed external environment for enterprises. All localities should resolutely implement the provincial government's "Regulations on Supporting the Development of Township Collective Enterprises." Except for the funds turned over to relevant departments according to state regulations, township enterprises will not pay any funds to any departments, units, or individuals which try to collect funds from them on all sorts of pretexts.

We should enliven the circulation of funds. We should expedite the reform of rural credit cooperatives and truly turn them into independent cooperative monetary organizations with democratic management, and which are responsible for their own profits and losses. Banks at various levels should open up multilayered money-lending markets and give full play to the role of credit funds by making use of the difference in timing and locality in fund usage. We should actively give guidance and assistance to nongovernment credits that have already emerged, advocate the stock system in establishing plants, and manage and use well the state funds for supporting township enterprises. Enlivened circulation is a decisive condition for developing township enterprises. We should give full play to the role of salesmen and further relax control to enliven the markets for the essential factors of production, such as materials, technology, laborers, and information.

Leading organs at all levels, and all departments, should serve well the development of township enterprises. They should foster a sense of responsibility for helping the masses achieve prosperity, enthusiastically overcome difficulties for them, and serve them well instead of imposing restrictions on them. Departments in charge of township enterprises should serve as good advisers to their superiors and render good service to their inferiors. All trades and professions should cooperate and work in unison to make a new breakthrough in the development of the township enterprises of our province.

HEILONGJIANG SECRETARY ATTENDS FORUM OF LEADERS

SK270910 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 26 Jan 87

[Excerpts] This afternoon, the provincial party committee and government held a forum of party, government, and Army leaders at (Hetianchun) Hall in Harbin to strengthen their militant bonds of friendship and to jointly greet the 1987 Spring Festival.

Sun Weiben, secretary of the provincial party committee, extended festive greetings and regards to all commanders and fighters of the PLA units stationed in the province on behalf of the provincial party, government organs, and the people throughout the province.

Comrade Sun Weiben pointed out: In the past year, all commanders and fighters of the PLA units stationed in our province scored remarkable achievements in reorganizing the Army and conducting education and training, did much to build the province's two civilizations and fundamentally improve party style and social habits, did a remarkable job in fulfilling various tasks such as performing their duties to prepare for war, undertaking construction projects, carrying out joint Army-people activities to build the spiritual civilization, and training personnel competent for both military and civilian jobs, and were praised by leaders at all levels and the people.

Comrade Sun Weiben touched in particular on the fact that at the time when the unprecedentedly severe flood of Songhua Jiang seriously endangered the province's industrial and agricultural production and the people's lives and property, the broad masses of commanders and fighters worked all day and night on the antiflood forefront to deal with emergencies with a death-defying spirit, and made outstanding contributions to reinforcing and safeguarding the grand dike of Songhua Jiang.

Leading comrades of the PLA units thanked the local governments at the forum. They said: The local governments at all levels have shown concern for and cherished the PLA soldiers, conducted extensive support-Army work, given preferential treatment to families of servicemen and martyrs, helped them eliminate misgivings and solve difficulties, and served as powerful backup forces of the people's Army. [passage omitted]

Governor Hou Jie presided over today's forum. Leading party and government leaders of the province present at the forum were Li Jianbia, Wang Zhao, Chen Yunlin, Liu Chengguo, Zhou Wenhua, Wang Yusheng, Wang Yaochen, Zhu Dianming, Bai Jingfu, Huang Feng, (Wang Haiyan), Wang Fei, Wang Lianzheng, He Shoulun, Liu Zhongli, Jing Bowen, and Du Xianzhong.

Also attending were leading comrades of the provincial Military District and the PLA units stationed in the province, including Shao Zhao, Ma Chunwa, He Daoquan, Dong Yisheng, (Han Qicheng), Chen Derun, (Luo Hongxiang), and Sun Zhongguo.

JILIN's GAO DI ATTENDS SPRING FESTIVAL MEETING

SK280813 Changchun Jilin Provincial Service in Mandarin 2200 GMT 27 Jan 87

[Text] To celebrate the 1987 Spring Festival, the provincial party committee and government, and the Changchun City party committee and government held a get-together for party, government, and Army personnel, and the people on the afternoon of 27 January.

However, the Guo family refused. The People's Court had no alternative but to dismantle the shed forcibly according to law on 10 December 1983. There was no clash at all with any member of the Guo family during this process. There was absolutely no major attack on the Guo family.

3. In his article, Liu Binyan said: A grass-roots work staffer, (Gu Laigen), was able to mobilize the public security people to terrorize the Guo family, organizing more than 20 hatchetmen to threaten them with armed force and illegal kidnap. This person was also able to manipulate our judicial organs to serve himself. In fact, which judicial organ was (Gu Laigen) able to manipulate in his service, and for what purpose? Liu Binyan did not cite any facts in proof of this. He was in fact uglifying the judicial organs.

4. In his article, Liu Binyan constantly accused the Xian City CPC Committee and its principal responsible person of counteracting the instructions of a leading central comrade and failing to maintain political unity with the central authorities. This too was using a big label to cow people.

There are many things in the article that are at variance with the facts. Here, we have only given a few instances. Even more important, Liu Binyan seriously violated organizational principles and journalism discipline. Without the agreement of the upper-level party committee, he indiscriminately criticized by name a leader of the city party committee and 12 work personnel of the committee. He also described them as "people with serious problems in politics and personality," and "persons who profited from the 10 years of turmoil."

Liu Binyan thus stuck political labels on people without obtaining permission to gather news from the departments concerned. Such a practice caused panic among the cadres. This can only show that he was out to disrupt work in the localities.

CPC Central Committee Document No 7 of 1981 explicitly stated that the facts in articles criticizing people must be properly verified. Before the articles are written, it is necessary to listen to the views of the party departments concerned and the views of the person criticized. However, Liu Binyan [words indistinct] failed to verify the facts with the provincial and city party committees, nor did he seek the views of the persons criticized during the more than half a year between gathering the news and writing the article.

The sudden publication of the article caused confusion in Xian. Many people held that its publication was done with somebody's backing; so they guessed that the city party committee and its principal leader had made serious mistakes. Some people said: For the newspaper to criticize a city party committee leader by name must mean that this is the intention of higher authority. Some cadres said it showed there was a struggle in the upper levels. As a result, the city party committee organs could not work in stability for a time.

Fortunately, the CPC Central Committee Secretariat and the Shaanxi Provincial CPC Committee rapidly investigated the matter and pointed out the mistakes in Liu Binyan's report. As a result, the storm subsided.

XINJIANG AIR FORCE PARTY COMMITTEE MEETING ENDS

HK300302 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Jan 87

[Excerpts] The enlarged meeting of the party committee of the Air Force stationed in Xinjiang, which concluded on 25 January, proposed: Unswervingly adhering to the four cardinal principles, taking a clear-cut stand in opposing bourgeois liberalization, and keeping in line politically with the CPC Central Committee is the central task of the current ideological and political work of the PLA units. [passage omitted]

The meeting demanded: Party committees at all levels of the Air Force stationed in Xinjiang must take the lead in strictly observing party discipline and the state law and act according to democratic centralism. They must abandon the idea that rule by man, but not rule by law, is relied on to administer important, national matters.

The meeting pointed out: It is necessary to teach all officers and soldiers to work hard to pioneer a cause on the basis of our existing conditions and to advocate that we must not give thought to personal gain or loss and seek ease and comfort and that we must be willing to bear hardships and to sacrifice.

Zang Sui, secretary of the party committee of the Air Force stationed in Xinjiang; and Liu Shungao, deputy secretary and commander, spoke at the meeting.

SONG HANLIANG ATTENDS XINJIANG INDUSTRIAL SEMINAR

HK300558 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Jan 87

[Excerpts] The regional seminar on light industrial development strategies, which concluded on 23 January, proposed: In light of our region's realities, we must give full play to the strong points of resources, find a way to develop light industry with Xinjiang characteristics, and serve the realization of large-scale agriculture of our region.

Light industry is one of the industries of our region which takes the lead. To speed up the progress of a policy decision in a democratic and scientific way and to make our region's light industrial development strategic and our region's overall plan for economic development dovetail, beginning in the second half of last year, the regional light industry department adopted a method of integrating the upper and lower levels, conducted penetrating investigation and study, extensively solicited the view of all quarters, and formulated a strategic plan for light industrial development for the last 4 years of the Seventh 5-Year Plan and for a certain period in the future. [passage omitted]

Experts also put forward specific views and suggestions on the market strategy, resource strategy, and science and technology strategy for light industrial development and arrangements for all sectors. Leaders of the regional party and government, including Song Hanliang, Zhang Sixue, Bai Chengming, Huang Baozhang, and Mao Dehua, attended the seminar and spoke. [passage omitted]

However, it is disturbing to see the old canard of intelligence gathering -- tantamount to an accusation of spying -- being raised again. If the Chinese authorities wish to maintain credibility, they need to offer serious evidence for a serious charge. But accusations of spying are always useful to divert attention from other issues. The groundwork was laid last month when China accused Taiwan of sending in secret agents to incite trouble.

And there is an irony in yesterday's events which should not be allowed to escape attention. At the same time as the government was telling Mr MacDonald he was not welcome, contracts were being signed with an Australian organisation to build an international news headquarters in Beijing. As is often the case, progress is painful: One step forward, one step back.

XU JIATUN CONFIRMS EXTENSION OF XINHUA SERVICE

HK040343 Hong Kong SOUTH CHINA MORNING POST in English 4 Feb 87 p 1

[Excerpt] China's de facto representative in Hong Kong, Mr Xu Jiatun, said yesterday the curb on bourgeois liberalisation on the mainland would in no way affect the policy of "one country, two systems" towards the territory and Macao.

Speaking in Macao, he said the capitalistic system of the Portuguese enclave would also remain unchanged for half a century after China resumed sovereignty.

And Mr Xu confirmed he would be staying in Hong Kong for a "certain period of time" but declined to be specific over his term of office, if any.

Mr Xu, director of the NEW CHINA NEWS AGENCY in Hong Kong, was speaking during lunar new year celebrations with Macao community leaders.

The one-day visit was believed to be the first public function of the senior Chinese official since he flew to Beijing last month to relay the local reaction to the recent political upheaval in China.

During his visit to Macao, Mr Xu detailed China's policy towards Hong Kong and Macao to representatives from business, industry, workers' unions, education, the press and cultural groups. He also held a meeting with the Macao Governor, Dr Joaquim Pinto Machado.

He said: "The changeover at leadership level and the curb on bourgeois liberalisation will not affect (the policy of one country, two systems) of the territory.

"It does not come suddenly but stems from long-term developments.

"(People from) outside do not understand the practical conditions of the mainland.

"Hong Kong is a capitalistic society.... The capitalistic system of the territory, as well as that of Macao, has to be retained and further developed," said Mr Xu. [passage omitted]

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